

AR22

B.C. TELEPHONE COMPANY


FACTS

1977



| PARTICULARS | 1976 | 1975 | 1974 | 1973 | 1972 |
|--|-------------|-------------|-------------|-------------|------------|
| (Thousands of dollars) | | | | | |
| <u>SELECTED INCOME ITEMS</u> | | | | | |
| 1 Total operating revenues | \$ 435,839 | \$ 360,687 | \$ 302,873 | \$ 258,927 | \$ 227,765 |
| 2 Local service | 187,694 | 154,956 | 129,197 | 117,469 | 106,289 |
| 3 Toll service | 235,813 | 194,905 | 163,256 | 132,659 | 114,742 |
| 4 Total operating expenses | 349,041 | 286,070 | 243,130 | 207,197 | 180,305 |
| 5 Salaries and wages | 147,870 | 120,456 | 106,931 | 86,348 | 73,819 |
| 6 Other operations expense | 60,009 | 50,277 | 43,220 | 37,861 | 34,189 |
| 7 Depreciation | 83,195 | 65,914 | 56,094 | 49,380 | 43,326 |
| 8 Provincial, municipal and other taxes | 22,064 | 17,694 | 13,669 | 10,513 | 8,849 |
| 9 Income Taxes | 35,903 | 31,729 | 23,216 | 23,095 | 20,122 |
| 10 Interest and other deductions | 55,776 | 47,365 | 39,341 | 29,855 | 24,756 |
| 11 Preference and preferred dividends | 12,931 | 8,023 | 6,204 | 5,798 | 5,098 |
| 12 Ordinary share earnings | 27,785 | 26,859 | 18,756 | 18,768 | 19,762 |
| 13 Ordinary share dividends | 18,079 | 15,819 | 14,150 | 10,357 | 10,357 |
| (Thousands of dollars) | | | | | |
| <u>SELECTED BALANCE SHEET ITEMS</u> | | | | | |
| 14 Investment in telephone plant | \$1,727,567 | \$1,473,731 | \$1,277,588 | \$1,105,167 | \$ 961,490 |
| 15 Accumulated depreciation | 350,700 | 310,303 | 275,088 | 246,356 | 219,229 |
| 16 Total invested capital | 1,174,800 | 1,021,007 | 889,058 | 762,125 | 674,916 |
| 17 Long-term debt | 626,835 | 549,120 | 429,259 | 417,455 | 377,529 |
| 18 Preference and preferred shares | 201,234 | 145,600 | 118,800 | 103,500 | 103,500 |
| 19 Ordinary share equity | 248,351 | 239,161 | 228,921 | 201,846 | 193,432 |
| <u>FINANCIAL RATIOS</u> | | | | | |
| 20 Earnings per ordinary share | \$ 1.48 | \$ 1.43 | \$ 1.11 | \$ 1.16 | \$ 1.22 |
| 21 Dividends declared per ordinary share | \$.96 | \$.84 | \$.84 | \$.64 | \$.64 |
| 22 Equity per ordinary share | \$ 13.19 | \$ 12.70 | \$ 12.16 | \$ 12.47 | \$ 11.95 |
| 23 Percent return on average ordinary share equity | 11.37 | 11.62 | 8.97 | 9.54 | 10.48 |
| 24 Percent return on average invested capital | 8.93 | 8.62 | 7.87 | 7.73 | 7.82 |
| 25 Percent long-term debt to total capitalization (permanent and long-term) | 58 | 59 | 55 | 58 | 56 |
| <u>OTHER STATISTICS</u> | | | | | |
| 26 Telephones in service | 1,543,310 | 1,473,183 | 1,383,202 | 1,281,655 | 1,180,338 |
| 27 Percent DDD | 99.6 | 99.6 | 99.6 | 94.4 | 92.5 |
| 28 Net plant investment per telephone | \$ 882 | \$ 790 | \$ 725 | \$ 670 | \$ 629 |
| 29 Gross plant additions (Thousands of dollars) | \$ 301,385 | \$ 230,241 | \$ 201,484 | \$ 165,273 | \$ 132,405 |
| 30 Local calls - daily average | 8,919,000 | 8,812,000 | 8,707,000 | 7,865,000 | 7,364,000 |
| 31 Toll calls completed - daily average | 323,000 | 285,000 | 251,000 | 199,000 | 172,000 |
| 32 Total salaries and wages (Thousands of dollars) | \$ 216,692 | \$ 180,511 | \$ 159,069 | \$ 125,607 | \$ 103,245 |
| 33 Total pensions and related payroll costs (Thousands of dollars) | \$ 25,931 | \$ 17,875 | \$ 14,795 | \$ 11,433 | \$ 9,461 |
| 34 Number of employees | 13,749 | 13,122 | 13,999 | 13,128 | 10,816 |
| 35 Number of shareholders | 27,639 | 25,047 | 22,631 | 23,474 | 24,362 |

Lines 20, 21, 22 have been restated for the years 1972-1974 to reflect the five-for-one split, effective April 1, 1975.



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BRITISH COLUMBIA TELEPHONE COMPANY

F A C T S - 1977 EDITION

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D I R E C T O R S

GORDON F. MacFARLANE
Chairman and Chief Executive Officer
British Columbia Telephone Company
Burnaby, B. C.

HARRY M. BOYCE
Company Director
Vancouver, B. C.

W. THOMAS BROWN
Chairman
Odlum Brown & T. B. Read Ltd.
Vancouver, B. C.

JUSTIN VICTOR HARBORD
President
Harbord Insurance Ltd.
Victoria, B. C.

GERALD H. D. HOBBS
President
Cominco Ltd.
Vancouver, B. C.

ALLAN M. McGAVIN
Chairman of the Board
McGavin ToastMaster Limited
Vancouver, B. C.

VICTOR F. MacLEAN
Company Director
Vancouver, B. C.

JOHN W. PITTS
Chairman and President
Okanagan Helicopters Ltd.
Vancouver, B. C.

J. ERNEST RICHARDSON
Chairman of the Board
MacMillan Bloedel Ltd.
Vancouver, B. C.

HORACE B. SIMPSON
Vice-President
Okanagan Holdings Ltd.
Kelowna, B. C.

HUGH R. STEPHEN
Company Director
Victoria, B. C.

O F F I C E R S

GORDON F. MacFARLANE
Chairman and Chief Executive Officer

GILBERT F. AUCHINLECK
Vice-President - Network Services

ROLAND J. BOUWMAN
Vice-President, General Counsel
and Secretary

JACK C. CARLILE
Vice-President - Operations

LEO J. DOOLING
Comptroller

TERENCE F. HEENAN
Vice-President - Administration

JAMES A. MacINNES
Vice-President - Marketing

D. BARRY McNEIL
Vice-President - Supply, Transportation
& Buildings

BETTY-JOAN RUMFORD
Assistant Secretary

GORDON M. SMITH
Vice-President - Revenue Requirements

ROBERT H. STEVENS
Vice-President - Customer Service

J. NEIL STEWART
Treasurer

FRANK S. TUCKER
Vice-President - Personnel &
Industrial Relations

GERALD G. WASHINGTON
Assistant Treasurer

BRITISH COLUMBIA TELEPHONE COMPANY

DIRECTORS - BIOGRAPHIES

GORDON F. MacFARLANE

(See Officers - Biographies)

HARRY M. BOYCE

Born in Phoenix, B. C., Mr. Boyce spent 25 years on the staff of the B. C. Telephone Company and has been a director of the Company since 1943. He is a graduate of McGill University.

* * *

He became treasurer of B. C. Tel the same year he joined the Company, and was made a vice-president in 1950. In late 1962, following his retirement from the Company, he became president of the Yorkshire Corporation Ltd. In mid-1965, he became chairman of the board of the Yorkshire Trust Company and its associated companies.

* * *

He is a past chairman of the Vancouver Public Library Board and past president of the Vancouver Community Chest and Council, the Canadian Club of Vancouver and the Vancouver Advisory Board of the Salvation Army; a former member of the board of the Vancouver Foundation; and director of the British Columbia Telephone Company and other companies.

W. THOMAS BROWN

Mr. Brown was born in Vancouver, B. C. in 1912. He obtained his Bachelor of Arts in Economics at the University of B. C. in 1932 and his Master of Arts in Jurisprudence at Oxford.

He served in the Canadian Army from 1939-45 and held the rank of Lt. Colonel on discharge. He was wounded in the Battle of Normandy in 1944.

He was a salesman with Odlum Brown and Co. from 1935-39 and after the Second World War became a director of Odlum Brown Investments Ltd. He was named president of the firm in 1958, president of Odlum Brown & T. B. Read Ltd. in 1966 and Chairman in 1975.

The company he heads is a member of the Investment Dealers' Association of Canada, the Toronto Stock Exchange, and the Vancouver Stock Exchange. Mr. Brown has served as a governor of the Vancouver exchange and was president of the IDAC in 1966-67.

He served as a member of the Royal Commission on Banking and Finance, which reported to the federal government in 1964. Mr. Brown has served as president or chairman with several community and civic organizations including the board of the Vancouver Public Library, the Canadian Club, the United Services Institute, the UBC Alumni Association and the Vancouver District Council of the Boy Scout Association. He was also a member of the UBC Senate and the Vancouver Police Commission.

He is currently a member of the board of the Vancouver School of Theology, the Vancouver Foundation, the Chris Spencer Foundation, the Army Benevolent Fund, the B. C. Corps of Commissionaires and the National Second Century Fund of B. C.

Mr. Brown is a director of the Bank of British Columbia, of Wardair Canada Ltd., of Canadian Allied Property Investments Limited and of Fidelity Life Assurance Company.

JUSTIN VICTOR HARBORD

Mr. Harbord was born in Merritt, B. C. and was educated at Duke of Connaught High School and Westminster Business College.

He was with Parsons Brown Ltd. and K. C. MacGowan Ltd. from 1934 to 1939, and served overseas with the Canadian Armed Forces from 1939 to 1945.

* * *

Mr. Harbord founded Harbord Insurance Ltd. in 1946, and later Harbord Insurance Alberta Ltd. He is President of both companies, which have operations in Victoria, Vancouver, Edmonton and Calgary.

He is a director of Sooke Forest Products Ltd., Smith Cedar Products Ltd., Westcan Terminals Ltd., Westcan Stevedoring Ltd., and Lamford Cedar Ltd.

* * *

Mr. Harbord served as Campaign Chairman and President of the Victoria Community Chest, is a Past-President of the Queen Alexandra Solarium for Crippled Children, was Chairman of the University of Victoria Foundation, a member of the Board of Governors of the University of Victoria and a Director of the Victoria Chamber of Commerce.

GERALD H. D. HOBBS

Mr. Hobbs is Director and President of Cominco Ltd., and Director and Vice-President, Hawaiian Western Steel Limited, Honolulu. He is also a director of several other companies, including The Bank of Nova Scotia, Halifax, MacMillan Bloedel Limited, and British Columbia Telephone Company, both of Vancouver, and Dillingham Corporation, Honolulu, Hawaii.

* * *

He joined the RCASC in 1940 and served as an officer until 1946, when he entered the steel business, becoming General Manager of Western Canada Steel Limited in 1955, President in 1964 and Chairman, 1967 - 1972.

* * *

Mr. Hobbs is Vice-Chairman of the Management Committee, Health Sciences Centre at U.B.C.

* * *

He was born March 11, 1921 in Vancouver, is married to Phyllis Rae (Nicolson) Hobbs and has two sons and two daughters.

ALLAN M. McGAVIN

Born January 15, 1911 in Darvel, Scotland, he came to Canada in 1913. He was educated at Upper Canada College, Toronto and at the San Diego Army and Navy Academy, Pacific Beach, Calif.

He began his business career in Edmonton in 1928 with McGavin Bakeries, established by his father and grandfather. He worked in Los Angeles, Pasadena, Lethbridge, Edmonton and Vancouver and was elected president of McGavin Bakeries in 1948. Since 1961 he has been president of McGavin ToastMaster Limited, formed at the amalgamation of the McGavin companies and Canadian Bakeries Ltd. In 1972 he was elected Chairman of the Board.

* * *

Mr. McGavin is Chancellor emeritus of the University of British Columbia. He is chairman of British Pacific Properties Limited and Park Royal Limited. He is a director of several Canadian companies, including B. C. Forest Products Limited, John Labatt Limited, Trans-Mountain Pipeline, Hudson's Bay Company and the Bank of Nova Scotia.

* * *

He has been active in many community and sports capacities, including co-Chairman of the 3 Universities Capital Fund; vice-president, Canadian Olympic Association; Honorary-Director, Amateur Athletic Union of Canada; Chairman, Pan American Games Committee; 1963 Chairman, United Appeal of Greater Vancouver; co-Chairman, B. C. Racing Commission and vice-president, Bakery Council of Canada.

He became a director of B. C. Telephone on March 11, 1971.

VICTOR F. MacLEAN

Born in Vancouver April 28, 1924, Mr. MacLean was educated at public and high schools in Vancouver. He served in the R.C.A.F.

* * *

He is a former Chairman of the Board, President and Chief Executive Officer of Kelly, Douglas & Company Limited and formerly President of Nabob Holdings Ltd., Super Valu Stores (B.C.) Ltd., Nabob Foods Ltd., and Dickson's Food Services Ltd.

* * *

He is a Director of Crown Zellerbach Canada Ltd., Alberta Distillers Ltd., National Trust Company and a member of the Vancouver Advisory Board.

* * *

Mr. MacLean joined Kelly, Douglas & Company Limited in 1947, became secretary and assistant treasurer in 1951, a director in 1952, executive vice-president in 1953, and president in 1957.

* * *

He became a director of B. C. Telephone on March 29, 1967.

JOHN W. PITTS

Mr. Pitts was born in Victoria, British Columbia on October 13, 1926. Although raised in Ashcroft, B. C., he attended school in Victoria, attaining his high school graduation from Brentwood College. After attending McGill University, where he graduated with a Mechanical Engineering degree in 1949, he spent two years at Harvard University, receiving a Master of Business Administration degree in 1951.

* * *

Upon graduation from Harvard, he returned to Vancouver and was employed for three years by The Vancouver Iron and Engineering Works. From 1953 onward, he was self-employed in his own manufacturing companies, producing certain specialty electrical products and products for the pulp and paper industry.

* * *

In October, 1970, Mr. Pitts became President of Okanagan Helicopters Ltd. and assumed the added responsibility of Chairman of the Board in April, 1972.

* * *

Mr. Pitts is a Director of B. C. Sugar Refinery Ltd., Crows Nest Industries Limited, Paccar, Inc., Royfund Ltd. and a number of other Canadian companies. He is a member of the Conference Board and the Canadian Economic Policy Committee.

* * *

Mr. Pitts is married and has two daughters and one son.

J. ERNEST RICHARDSON

Mr. Richardson was born in Winnipeg, Manitoba, on January 13, 1911. He was raised and educated in Halifax, Nova Scotia, where he attended public schools, the Halifax County Academy and Dalhousie University. He graduated in Arts from Dalhousie in 1934 and in Law in 1936 and was called to the Bar of Nova Scotia in 1936.

He was manager of the Eastern Trust Company in Charlottetown, P.E.I., from 1940 to 1942. He served with the 26th Battery, 4th Canadian Field Regiment, 1942-45.

He was secretary and general counsel with the Maritime Telegraph & Telephone Company Limited, Halifax, from 1946 to 1956; general commercial manager of that company from 1956 to 1957; assistant to the president, January 1, 1958; vice-president and director, February 19, 1958; and became president of the Maritime Telegraph & Telephone Company Limited in February, 1959, which position he held until September, 1963.

He also served as assistant to the president and director of the Island Telephone Company Limited, Halifax, from April, 1958, until he was named president of that company in May, 1959.

* * *

Mr. Richardson was appointed president and chief executive officer of B. C. Telephone Company, August 30, 1963. At the time of his appointment as president and chief executive officer of the B. C. Telephone Company, he was president of both the Maritime Telegraph & Telephone Company and the Island Telephone Company. In 1971 he assumed the added responsibilities of chairman of the board of B. C. Tel. Effective September 1, 1974, Mr. Richardson became Chairman and Chief Executive Officer of British Columbia Telephone Company. Effective January 1, 1976, Mr. Richardson retired as Chief Executive Officer and remained Chairman of the Company. On March 26, 1976, Mr. Richardson was appointed Chairman and Acting President of MacMillan Bloedel Ltd., and on March 29, 1976 resigned as Chairman of B. C. Tel. On September 1, 1976, Mr. Richardson became Chairman of the Board of MacMillan Bloedel Ltd.

* * *

Mr. Richardson is a director of B. C. Telephone Company, MacMillan Bloedel Limited, Placer Development Ltd., The Halifax Insurance Company, the Commercial Life Assurance Company of Canada, Canada Cement Lafarge Ltd., Westcoast Transmission Company Ltd., and a vice-president of the board of directors of the Canadian Imperial Bank of Commerce. He is a member of the Board of Governors of the Employers' Council of B. C. and a Senior Member of the Conference Board.

* * *

He married Marian Stephens Findlay of Guelph, Ontario on June 22, 1940 and they have three sons and two daughters.

HORACE B. SIMPSON

Mr. Simpson was born in Kelowna, B. C. March 17, 1917. He was raised and educated at public schools in Kelowna and Saskatoon.

* * *

In 1935 he entered the employ of S. M. Simpson Limited, a family forest products business, rising to the position of plant superintendent in 1938. In 1945 he was named assistant General Manager and vice-president. In 1955 he became president and general manager and retained these positions until 1965 when Crown Zellerbach Canada Ltd. acquired the company. From 1965 to 1967 he continued with Crown Zellerbach as manager of their interior operations. From 1967 to 1970 he was employed as a consultant to Crown Zellerbach.

* * *

In November, 1968 he became a director of Okanagan Holdings Ltd., a company engaged in property management and development. On July 30, 1969 he was elected to the position of vice-president.

* * *

Mr. Simpson is a director of Inland Natural Gas Co. Ltd., Brenda Mines Ltd., Okanagan Telephone Company and a number of private companies. He was chairman of the Board of Trustees, Kelowna General Hospital for five years. A nine year term as a trustee was completed in 1975.

* * *

He married Joan Katherine Jennens of Kelowna on November 17, 1937 and they have one daughter and two sons.

HUGH R. STEPHEN

Mr. Stephen was born in Guildford, England on April 25, 1913. He began a newspaper career as a cub reporter at the age of 18 in London and worked on British newspapers for seven years before emigrating to Canada with his family in 1938.

Mr. Stephen served in the Canadian Army during the Second World War, first in the Coast Artillery and later as a member of a psychological warfare team with British forces in Southeast Asia.

He operated a laundry and dry cleaning company in Victoria from 1946 to 1962 and has served as an alderman, mayor, and president of the Victoria Art Gallery.

He was also president of the Laurier Club and a vice president of the Canadian Club.

He was elected president of the Victoria Chamber of Commerce in 1957 and was instrumental in the formation of the Capital Region Planning Board.

Mr. Stephen also was Chairman of the fund-raising campaign for the YMCA-YWCA headquarters building in Victoria.

He is a Governor of the Junior Chamber of Commerce of Canada, and was Vice-chairman of the Victoria Advisory Planning Commission 1950-1958. He is an Honorary Life Member of the Community Planning Association of Canada and a Patron of the Old Contemptibles Association. He was Chairman of the Capital Region Board in 1969.

He was married March 16, 1942 to Barbara Williams. The couple has three children.

Mr. Stephen's term of office as mayor in Victoria was in 1967-68-69.

He is presently a Director of the Victoria Conservatory of Music and of the Victoria Foundation and is a Governor and Vice-Chairman of Brentwood College. He is a member of The Board of Governors of the University of Victoria, and a member of the B. C. Advisory Board of Canada Trust.

BRITISH COLUMBIA TELEPHONE COMPANY

OFFICERS - BIOGRAPHIES

GORDON FREDERICK MacFARLANE

Mr. MacFarlane was born in Victoria. He attended the University of British Columbia following service with the RCAF from 1943 to 1946, and in 1950 he obtained his Bachelor of Applied Science degree in Electrical Engineering.

He joined the B. C. Telephone Company in 1950 and has served in various engineering and operating capacities including Coastal Division engineering and construction manager, district manager, and director of plant and engineering services. He was appointed chief engineer and director of plant services in 1966.

* * *

On October 1, 1967, Mr. MacFarlane was appointed Vice-President - Operations, and in 1970, became Vice-President - Corporate Development. He became Vice-President - Administration in January, 1976, responsible for finance, public affairs and personnel and industrial relations. In October, 1976, he became President and Chief Executive Officer of GTE Automatic Electric (Canada) Ltd., in Brockville, Ontario.

* * *

On February 10, 1977, Mr. MacFarlane was elected Chairman and Chief Executive Officer of B. C. Telephone Company.

* * *

Mr. MacFarlane is a past director, and a member of the Executive Committee of the Board of Directors of Telesat Canada and the Board of Management of the Trans-Canada Telephone System. He is a member of the International Electrical & Electronic Engineers, Association of Professional Engineers, Board of Governors of the Employers' Council of B. C. and the Telephone Pioneers of America.

* * *

He was married in 1946 to Hazel Louise Major and the couple have two daughters in Vancouver and one son in Montreal.

Mr. MacFarlane
Chairman and
Chief Executive Officer

GILBERT F. AUCHINLECK

Mr. Auchinleck was born and educated in Vancouver. He was graduated in electrical engineering from the University of British Columbia in 1944 and joined B. C. Telephone Company in 1946 after serving two years in the Canadian Army as a lieutenant in the RCEME.

* * *

Mr. Auchinleck has held a number of managerial positions in the Company including Interior and Island Division Manager. He was appointed Vice-President - Staff (Operations) in December, 1970 and was made Vice-President and General Manager (Coastal Area) in February, 1973. He was elected Vice-President - Service in March, 1974 and Vice-President - Network Services, December 1, 1976.

* * *

Mr. Auchinleck is a member of the Association of Professional Engineers of B. C.

Mr. Auchinleck
Vice-President -
Network Services

ROLAND J. BOUWMAN

Mr. Bouwman was born in Heerlen, The Netherlands, and was educated at Leduc, Alberta, John Oliver High School in Vancouver and the University of British Columbia. He was in the RCAF for five years and was attached to the RAF for three years overseas as an Observer with the rank of Flight Lieutenant. He spent twelve years with the RCAF Auxiliary Reserve in Vancouver as O. C. Reserve Recruiting.

* * *

Mr. Bouwman took his law degree at UBC and was called to the bar in October, 1955. In 1956, he became a prosecutor for the City of Vancouver and was deputy city prosecutor from 1964 until July 1, 1968 when he was appointed general counsel of the B. C. Telephone Company. He was named general counsel and secretary on August 1, 1969, and was elected Vice-President, General Counsel and Secretary in March, 1974.

* * *

Late in 1976 Mr. Bouwman was appointed by the Anti-Inflation Board as one of eight Special Advisors in Canada. He is handling the British Columbia area.

* * *

For eight years he was a member of the Board of the Vancouver Centennial Museum and H. R. MacMillan Planetarium and was also on the Executive Committee of the Vancouver Bar Association.

At present he is Chairman of the Court Committee of the Vancouver Justice Council and Member of the Executive Committee of the Canadian Bar Association.

Mr. Bouwman
Vice-President, General Counsel
and Secretary

JACK C. CARLILE

Mr. Carlile was born in Vancouver. He graduated in electrical engineering and commerce from the University of British Columbia and went on to serve with Canadian Industries Limited and, later, Brazilian Traction, Light and Power Company.

* * *

He joined B. C. Telephone in 1954 and served in various management capacities in the plant, engineering and finance departments. He became Vice-President - Finance in 1966, a position he filled until the end of 1971 when he went on leave of absence from the Company to become President of the Trans-Canada Telephone System. Mr. Carlile rejoined the Company in 1974 and was elected Vice-President - Administration, a position he held until January, 1976 when he became Vice-President - Operations.

Mr. Carlile
Vice-President -
Operations

LEO J. DOOLING

Mr. Dooling was born in Cranbrook. He received his Bachelor of Commerce degree from the University of British Columbia in 1960, and obtained his Chartered Accountant certificate in 1963 while with Price Waterhouse and Company.

* * *

He joined the B. C. Telephone Company in 1966 as senior staff auditor, and has served as internal audit supervisor, co-ordinator of financial planning and analysis, and, in 1971, became budget director.

* * *

Mr. Dooling was appointed Comptroller of the Company in March, 1974 and of Okanagan Telephone Company in February, 1976.

* * *

He is a member of the Council of the Institute of Chartered Accountants of British Columbia and chairman of that organization's Membership and By-Laws Committee.

Mr. Dooling
Comptroller

TERENCE F. HEENAN

Mr. Heenan was born and raised in Halifax. He obtained his Bachelor of Science degree from St. Mary's University, Halifax, in 1947, and his Bachelor of Electrical Engineering degree from Nova Scotia Technical College, Halifax, in 1949. The same year, he joined the Maritime Telegraph and Telephone Company in Halifax and held various positions in the engineering and traffic departments before becoming Assistant Chief Engineer with that company in 1963.

* * *

In 1965, he was appointed Chairman of the Advisory Group of the Trans-Canada Telephone System, with headquarters in Montreal. He held that post until his appointment with B. C. Telephone Company.

* * *

On September 1, 1967, he was appointed Vice-President - Staff (Operations) with B. C. Tel and on December 15, 1970, he became Vice-President - Operations.

On January 1, 1976, Mr. Heenan was appointed Vice-President - Corporate Development and became Vice-President - Administration in October, 1976.

* * *

He is Chairman of the Canadian Telecommunications Carriers Association, and a Director of Telesat Canada.

Mr. Heenan
Vice-President -
Administration

JAMES A. MacINNES

James A. MacInnes, Vice-President - Marketing was born in Edmonton, Alberta, and moved to British Columbia at an early age.

Mr. MacInnes graduated from the University of British Columbia in 1950 with a Bachelor of Applied Science degree in mechanical engineering. He began his career with B. C. Tel in June of the same year.

* * *

After holding a number of management positions in the Engineering Department, he became Safety Director in 1958, and Coastal Division Engineering and Construction Manager in 1963. In 1966, Mr. MacInnes became Director of Public Affairs, and in September, 1972, was elected Vice-President - Public Affairs. On December 1, 1976 he was named Vice-President - Marketing.

* * *

He is a member of the Association of Professional Engineers of B. C., the American Society of Mechanical Engineers and the Canadian Public Relations Society, and is President of the Board of Governors of Junior Achievement of B. C.

Mr. MacInnes
Vice-President -
Marketing

D. BARRY McNEIL

Mr. McNeil was educated at Vancouver College and the University of British Columbia. He joined Riddell, Stead, Graham and Hutchison, chartered accountants, in 1952, obtained his chartered accountant's certificate in 1957 and became a partner in the firm in 1964.

* * *

Throughout this period he was associated with the B. C. Telephone Company in connection with auditing, financial and regulatory affairs.

On August 1, 1967, Mr. McNeil was appointed Comptroller of the Company, and on July 22, 1971, was appointed Vice-President - Comptroller. He was named Vice-President - Finance in March, 1974, and Vice-President - Supply, Transportation & Buildings on January 1, 1976.

* * *

He was elected a Fellow of the Institute of Chartered Accountants of B. C. in 1972, is a member of the Board of Management of B. C. Research Council and a Vice-President of the Vancouver Opera Association.

Mr. McNeil
Vice-President -
Supply, Transportation
& Buildings

BETTY-JOAN RUMFORD

Born in Vancouver, Mrs. Rumford was educated at public and high schools in Vancouver.

She was previously employed in the advertising field in Vancouver, having worked for James Lovick & Company and McKim Advertising in the public relations and media areas.

In 1954 she moved to Toronto where she was employed as Executive Secretary to the Personnel Director of the Aluminum Company of Canada Ltd. On her return to Vancouver in 1959, she became Executive Secretary to the President and Managing Director of Radio Station CHQM.

* * *

In 1968 she joined B. C. Telephone Company as an Executive Secretary to the Vice-President, General Counsel and Secretary of the Company.

Effective February 3, 1976, Mrs. Rumford was elected Assistant Secretary of the Okanagan Telephone Company and effective April 28, 1976, she was elected Assistant Secretary of British Columbia Telephone Company.

She has been a member of the Vancouver Chapter of Executives' Secretaries, Inc. since 1970 and in 1974 was elected President of that organization.

Mrs. Rumford
Assistant Secretary

GORDON M. SMITH

Mr. Smith was born and educated in Nelson, British Columbia. He served as a fighter pilot in the RCAF from 1941 to 1945 and in the RCAF Auxiliary from 1948 to 1955, retiring with the rank of Wing Commander.

* * *

Mr. Smith joined the B. C. Telephone Company in 1946 and has held a number of management positions including Northern Division Engineer, Plant Director, Manager of the Company's Northern Division and Manager of the Island Division. He is a graduate of the Advanced Management Program of the Harvard Business School.

* * *

He was elected to the position of Vice-President - Service (Staff) in March, 1974 and was responsible for engineering standards and for methods and procedures in the Company's Plant, Traffic and Customer Service operations. He also had responsibility for Building Engineering as well as Flight Operations.

* * *

Since December 1, 1976, Mr. Smith has held the position of Vice-President - Revenue Requirements and as such, is responsible for rates and tariffs, regulatory matters, costs and economics, and inter-carrier relations and settlements.

Mr. Smith
Vice-President -
Revenue Requirements

ROBERT H. STEVENS

Mr. Stevens was born in Vancouver and educated in Prince George and Kamloops. He joined B. C. Telephone Company in 1952. After several years in Plant, Commercial and Marketing, he was appointed District Sales Manager in Nelson followed by his appointment as Commercial and Traffic Manager at Nanaimo.

* * *

He later served as District Manager in Dawson Creek and Victoria and as the Company's Industrial Relations Manager. Mr. Stevens returned to the Marketing Group in 1970 as Director of Marketing and Sales.

* * *

He was elected Vice-President - Marketing in March, 1974, and on December 1, 1976 was named Vice-President - Customer Service.

Mr. Stevens
Vice-President -
Customer Service

J. NEIL STEWART

Mr. Stewart was born in Prince George and received his Bachelor of Commerce degree from the University of British Columbia in 1958. He obtained his Chartered Accountant's certificate in 1961 while with Price Waterhouse and Company.

* * *

He joined the B. C. Telephone Company in August, 1965 as Internal Auditor and became Assistant Secretary and Assistant Treasurer in 1969. Mr. Stewart was appointed Nanaimo District Customer Service Manager in 1970, and served in that position until his election as Assistant Treasurer in December, 1971.

* * *

He was elected Treasurer of the Company in March, 1974.

Mr. Stewart
Treasurer

FRANK S. TUCKER

Mr. Tucker was born in Kelowna and educated in Vancouver. He joined the B. C. Telephone Company in 1939 and started his career in the construction department. He served with the Canadian Army from 1943 - 1946 in the Royal Canadian Artillery.

* * *

Upon his return to the Company he held a number of positions before being appointed toll equipment co-ordinator for the Interior division in 1961. He later became Interior division engineer and, in turn, Coastal division plant manager. He was named director of plant and customer service in 1971.

* * *

In February, 1973, Mr. Tucker was elected Vice-President - Personnel and Industrial Relations.

Mr. Tucker
Vice-President - Personnel
& Industrial Relations

GERALD G. WASHINGTON

Mr. Washington was born in Summerland, British Columbia and received his education there and in Vancouver.

* * *

He joined Canadian Telephones and Supplies Limited in 1956 and held a number of positions before being appointed Comptroller and Assistant Secretary of C. T. & S. in 1965.

* * *

Effective May 15, 1974, Mr. Washington was elected Assistant Secretary and Assistant Treasurer of the B. C. Telephone Company. On January 1, 1976 he became Assistant Treasurer.

Mr. Washington
Assistant Treasurer

BRITISH COLUMBIA TELEPHONE COMPANY

Capsule History

Telephones were first installed in British Columbia in the Spring of 1878 at two different locations on Vancouver Island. A mechanic named William H. Wall, at the Wellington Colliery of Dunsmuir, Diggle and Company, manufactured two telephone instruments and they were installed on a wire line built between the mine and loading docks at Departure Bay, a few miles away. At approximately the same time, Mr. R. B. McMicking, Superintendent of British Columbia Telegraphs, leased two telephone instruments from the Bell Telephone Company of Canada and installed them on a line between his home and a downtown office in Victoria, for demonstration purposes.

1 8 8 0

First telephone company in British Columbia was incorporated May 8, 1880, as the VICTORIA AND ESQUIMALT TELEPHONE COMPANY, LIMITED.

1 8 8 4

First mainland system was founded February 18, 1884, as the NEW WESTMINSTER AND PORT MOODY TELEPHONE COMPANY, LIMITED. The name was changed April 6, 1886, to the NEW WESTMINSTER AND BURRARD INLET TELEPHONE COMPANY, LIMITED.

1 8 8 6

1 8 9 1

The VERNON AND NELSON TELEPHONE COMPANY, LIMITED, was incorporated April 20, 1891.

1 8 9 9

New Westminster and Burrard Inlet Telephone Company, Limited, acquired Victoria and Esquimalt Telephone Company, Limited, in 1899.

1 9 0 3

Vernon and Nelson Telephone Company, Limited, was authorized to extend operations to all parts of the province May 11, 1903.

1 9 0 4

On March 14, 1904, the assets of the New Westminster and Burrard Inlet Telephone Company, Limited, and the Victoria and Esquimalt Telephone Company, Limited, were purchased by the Vernon and Nelson Telephone Company, Limited, which on July 5, 1904, had its name changed to
BRITISH COLUMBIA TELEPHONE COMPANY, LIMITED.

B.C.Tel Capsule History (Cont'd)

- 1 9 1 6 On April 12, 1916, the WESTERN CANADA TELEPHONE COMPANY was incorporated as a federal company, with powers to operate anywhere in British Columbia and to extend lines outside B. C.
- 1 9 1 9 On November 29, 1919, authorization was granted to change the name from Western Canada Telephone Company to BRITISH COLUMBIA TELEPHONE COMPANY (without the Limited).
- 1 9 2 3 On February 8, 1923, the assets of the provincial British Columbia Telephone Company, Limited, were transferred to the new federal company. This marked the start of B. C. Tel as it is today.
- 1 9 2 9 The NORTH-WEST TELEPHONE COMPANY obtained a provincial charter in 1929.
- 1 9 5 2 British Columbia Telephone Company acquired the MISSION TELEPHONE COMPANY LIMITED in 1952;
- 1 9 5 3 acquired the KOOTENAY TELEPHONE COMPANY LIMITED in 1953;
- 1 9 5 4 with the North-west Telephone Company took over part of the GOVERNMENT TELEGRAPH AND TELEPHONE SERVICE territory in B. C. in 1954; and acquired CHILLIWACK TELEPHONES LIMITED in 1954.
- 1 9 6 1 On January 1, 1961, the North-west Telephone Company was amalgamated with British Columbia Telephone Company.
- 1 9 6 6 In 1966, the British Columbia Telephone Company acquired controlling interest in the Okanagan Telephone Company. At December 31, 1976 the British Columbia Telephone Company held 99.9 per cent of the Okanagan Company's outstanding common shares.
- 1 9 7 3 In 1973, the British Columbia Telephone Company acquired all of the outstanding shares of Canadian Telephones and Supplies Ltd.
- 1 9 7 4 Through an amendment to the Company's Special Act of Incorporation which received Royal Assent in the Parliament of Canada on December 13, 1974, a French version of the corporate name has been added - La Compagnie de Telephone de la Colombie-Britannique.

BRITISH COLUMBIA TELEPHONE COMPANY

Company Ownership

The British Columbia Telephone Company is an investor-owned company, incorporated federally.

Anglo-Canadian Telephone Company of Montreal is the major stockholder, as it has been since 1935 when it acquired 44,943 (or 99.9%) of the 45,000 Ordinary (voting) shares then outstanding.

By 1950, Anglo-Canadian held all of the 60,000 Ordinary shares issued. Public acquisition of Ordinary shares issued during the following years reduced the Anglo-Canadian interest to as low as 33.75% of the Ordinary shares, a position reached in April, 1954.

Anglo-Canadian subsequently increased this interest gradually until by December 31, 1973, through shares acquired privately, on the open market, and from rights issues, it held 50.69% of the issued Ordinary shares.

At December 31, 1976, Anglo-Canadian Telephone held 9,570,420 Ordinary shares, or 50.82% of the 18,833,607 then issued and outstanding. (reflecting 5 for 1 share split April 1, 1975).

General Telephone and Electronics Corporation of the United States controls Anglo-Canadian Telephone Company in which it acquired controlling interest in October, 1955. At December 31, 1976, General Telephone & Electronics Corporation held an 86.39% voting control in Anglo-Canadian.

Dominion Directory Company Limited which handles printing and advertising sales for telephone directories for B.C. Tel and other telephone companies in Canada, also is a wholly-owned subsidiary of Anglo-Canadian Telephone.

BRITISH COLUMBIA TELEPHONE COMPANY

S H A R E H O L D E R S

Ordinary Shareholders
(at end of 1976)

| Total Number of: | |
|---------------------|--------------------|
| <u>Shareholders</u> | <u>S h a r e s</u> |
| 5,839 | 18,833,607 |

| | I n | Shareholders | S h a r e s |
|-----|------------------|----------------|---------------------|
| *** | British Columbia | 3,219 (55.1%) | 3,120,817 (16.6%) |
| | Canada | 5,602 (95.9%) | 18,687,236 (99.2%) |
| | United States | 164) | 82,004) |
| | United Kingdom | 50) (4.1%) | 49,619) (.8%) |
| | Other Foreign | 23) | 14,748) |
| | T O T A L | 5,839 ===== | 18,833,607 ===== |

*** These include holdings of Anglo-Canadian Telephone Company

Preference and
Preferred Shareholders
(at end of 1976)

| Total Number of: | |
|---------------------|--------------------|
| <u>Shareholders</u> | <u>S h a r e s</u> |
| 21,800 | 6,572,349 |

| | I n | Shareholders | S h a r e s |
|--|------------------|-----------------|--------------------|
| | British Columbia | 12,632 (57.9%) | 1,448,928 (22.0%) |
| | Canada | 21,558 (98.9%) | 6,553,456 (99.7%) |
| | United States | 162) | 10,800) |
| | United Kingdom | 55) (1.1%) | 3,620) (.3%) |
| | Other Foreign | 25) | 4,473) |
| | T O T A L | 21,800 ===== | 6,572,349 ===== |

BRITISH COLUMBIA TELEPHONE COMPANY

SERVICE AREA

The British Columbia Telephone Company provides telephone and other communication services to almost the entire province of British Columbia.

The exceptions are the Okanagan Valley (1) in the south-central Interior, the City of Prince Rupert, and some locations along the Alaska Highway.

The Company serves approximately 96 per cent of the area of the province and about 94 per cent of the province's population. It operates almost 94 per cent of all telephones in British Columbia.

(1) In December, 1966, B. C. Telephone Company acquired a majority interest in the Okanagan Telephone Company.

BRITISH COLUMBIA TELEPHONE COMPANY

History of Regulation

The British Columbia Telephone Company, in common with other utility companies in North America, operates under regulation by a government body.

Since B.C. Tel is incorporated as a federal company in Canada, it comes under the regulation of a federal agency, the Canadian Radio-television and Telecommunications Commission (CRTC), which was established on April 1, 1976. Formerly the Company reported to the Canadian Transport Commission which had been known previously as the Board of Transport Commissioners for Canada.

The Company reports regularly to the Commission on all matters relating to telephone rates, services and earnings and must obtain the Commission's approval for issue of share capital.

** * **

Since 1921, the Company has made nine applications to the Board for general rate increases to produce the revenue necessary to meet approved operating costs and to provide a reasonable return on investment so that the Company could obtain additional funds for expansion and improvement in service.

The following outlines briefly the rate applications since 1921 and the results that have ensued. The appended table shows the effect the rate changes have had on exchange services in Vancouver and Victoria.

HISTORY OF REGULATION

1 9 4 9

June 29, 1949

On this date, B. C. Telephone Company filed the first application for an increase in rates since 1921. The request was for a general increase in exchange rates to produce additional exchange revenues of \$2,261,741 per year, amounting to an increase of 17 per cent in gross revenues.

1 9 5 0

The Board, in an interim order issued May 31, 1950, following public hearings in Vancouver from January 10-23, 1950 and in Victoria on January 18, 1950, authorized an increase amounting to \$1,632,455 per year or an increase of 12.27 per cent on gross revenues.

On September 21, 1950, the Board's final judgment permitted introduction of a rate schedule which the Company estimated would produce an additional revenue of \$2,046,553 per year, or an increase of 15.39 per cent of gross revenues. This represented 90.5 per cent of what the Company had sought.

1 9 5 1

May 19, 1951

The B. C. Telephone Company filed application for increases in exchange and toll rates to meet wage and tax cost increases amounting to \$2,202,527 a year.

It sought toll rate increases to produce additional revenue of \$661,425 annually, an increase of 12.42 per cent, and exchange rate increases to produce additional revenue of \$1,535,201 annually, an increase of 11.38 per cent. Together, the increases sought were for additional revenue of \$2,196,626 annually, an increase of 11.38 per cent in gross revenues.

* * *

An interim order by the Board on July 6, 1951, granted the \$661,425 increase in toll revenues effective July 14, 1951 and an increase of \$1,202,914 in exchange revenues, or a total of \$1,863,339, representing 85.6 per cent of the amount sought.

Subsequently, the Company filed two amendments to the application, the first on October 9, 1951, and the second on November 19, 1951, which requested additional increases in exchange rates to bring the total annual additional revenue from this source to \$1,858,888, or an increase of 14.26 per cent in exchange revenues.

* * *

History of Regulation

On January 8, 1952, the Board's final judgment confirmed the toll rate increase authorized in its interim order and authorized exchange rate schedules estimated to produce \$1,685,922 in additional annual exchange revenue, an increase of 12.88 per cent. The total authorized increased rates were estimated to produce additional revenues of \$2,347,347 annually, or an increase of 12.16 per cent in gross revenues.

1 9 5 2

October 22, 1952

The B. C. Telephone Company filed application for an increase in exchange (including local coin telephone calls) and toll rates.

Rate schedules submitted represented an average increase of 12.2 per cent in the toll items subject to increase, an increase to 10 from 5 cents in coin telephone local call rates, and exchange rate increases representing an average increase of 14.6 per cent in the items subject to increase.

* * *

On November 24, 1952, at an interim hearing in Ottawa, the Company requested immediate relief in the amount of \$2,451,021 to cover wage and tax increases and to meet dividend and surplus requirements.

On December 4, 1952, the Board approved interim rates to be effective December 11, 1952. These granted in full the increases sought by the Company in rates and charges for the long distance toll message service, leased wire, coin telephone local calls, hotel local calls, excess measured calls, service connection and move and exchange charges, and approximately 35 per cent of the proposed increase in exchange service rates. This represented 65 per cent of the increased additional revenue sought by the Company.

1 9 5 3

On February 23, 1953, the Company submitted a revised additional revenue requirement figure of \$2,964,701. An estimated reduction in 1953 corporate income taxes reduced the revised request to \$2,609,482.

On March 24, 1953, the Board's final order confirmed the rates approved at the interim hearing and allowed increases in exchange rates which the Company estimated would result, in total, in additional revenues for 1953 of \$2,452,071, or 94 per cent of its revised request. This represented a 9.95 per cent increase in gross revenues.

| |
|-----------------------|
| History of Regulation |
|-----------------------|

| |
|---------|
| 1 9 5 8 |
|---------|

April 2, 1958

The B. C. Telephone Company filed an application for increases in exchange and toll rates and submitted rate schedules to produce \$1,513,961 annually in additional toll revenues, an increase of 10.11 per cent, and \$4,945,632 annually in additional exchange revenues, an increase of 17.62 per cent. Total additional annual revenues sought amounted to \$6,459,593, or an increase of 14.29 per cent in total operating revenues.

* * *

On May 10, 1958, the Company filed notice of amendment to the application, decreasing the additional revenues required to \$3,996,000 from the \$6,459,593 in the original application. The decrease was required because the original application included an amount to cover future payment of deferred income tax which the federal cabinet subsequently ruled could not be included as a cost for rate-making purposes.

The Board's final judgment on the application was issued July 18, 1958 and disallowed 67.46 per cent of the requested increase. The Company estimated the rates approved would produce additional revenues of \$1,318,324, or an increase of 2.97 per cent in total operating revenues.

September 15, 1958

The B. C. Telephone Company filed application for increases in exchange and toll rates to enable it to meet income tax payments on the basis of charging straight-line depreciation as an operating expense. The federal cabinet order had prohibited credits to a deferred tax reserve from being considered by the Board as an expense of the Company for rate-making purposes. The Company decided it was in the interests of the Company and its subscribers to pay taxes in full.

* * *

Schedules were submitted for increased toll and exchange rates to produce total additional revenues of \$5,753,842, an increase of 12.57 per cent in total operating revenues.

On December 24, 1958, the Board issued its final judgment approving rates that would produce additional annual revenue of \$5,232,247, or an increase of 11.43 per cent in total operating revenue. This amounted to 90.93 per cent of the Company request.

History of Regulation

1 9 6 5

March 1, 1965

The Board of Transport Commissioners initiated a public review of the Company, serving notice on this date that it would hold public hearings in Vancouver to examine the Company's capital investment, revenues and expenses, debt charges, dividend payments and retained earnings; the permissive level of the Company's earnings and the basis on which such permissive level may be authorized for telephone rate purposes. The Board stated: "The Board does not intend at this time to enquire into the propriety of existing rates."

The public hearing began in Vancouver, October 25, and lasted 14 sitting days, ending November 12, 1965.

* * *

The Company asked that the Board find that the Company's level of earnings at that time was fair and reasonable. The Company also asked the Board to express its measurement of the Company's earnings in terms of earnings related to total capital employed in the business. The Company adopted the contention of an independent witness appearing for the Company that in the circumstances existing at that time, a reasonable range of earnings would be between 6.5% and 7.25% of capital employed.

In its judgment handed down May 4, 1966, the Board found the Company's rates and earnings were just and reasonable. The Board also accepted the request that the Company's permissive level of earnings be expressed in terms of percentage of invested capital.

* * *

The Board set the level of permissive earnings at between 6.2% and 6.6% of average invested capital, with fractions of less than 0.05% to be dropped in the computation and fractions of 0.05% and higher to be raised up to the next tenth of one per cent in the computation.

The Board also stated that, "its findings in the circumstances and conditions of a particular time, including the probable future trend of those circumstances and conditions, are not necessarily applicable to future times when circumstances and conditions may be altogether different."

History of Regulation

1 9 6 9

January 22, 1969

Letter received from Railway Transport Committee advising Company that it has reviewed Company's present rate of return and that, in view of changed conditions, it will not order a reduction in the Company's rate structure at this time.

1 9 7 1

February 4, 1971

The B. C. Telephone Company filed an Application for increases in Exchange, Toll and other rates. Submitted were rate schedules to produce \$16 million annually in increased revenues. The rate increases proposed for Exchange Service were 14.8% on average. For Toll Service 5¢ or 10¢ rate increases were proposed for most station calls 67 miles or less, and 10¢ to 45¢ increases for person calls 600 miles or less. The proposed increases for service charges ranged from 50% to 100%.

July 30, 1971

The Commission approved new rates effective September 1, 1971 which were estimated to represent an increase of 4.45% or about \$9,400,000 in total 1972 revenues. The proposed rate increases were granted in all categories except Exchange Service where the C.T.C. authorized only a 2.5% increase (rather than 6% requested).

1 9 7 4

March 28, 1974

The Company filed with the Commission for rate revisions estimated to produce additional revenues of \$14,900,000 in 1974 and a return on total invested capital of approximately 8.25%. This increased revenue estimate was later revised to \$15,300,000 and 8.19% rate of return on total invested capital.

The Application proposed that exchange service rates be restructured increasing, on the average, residence rates by 4.7% and business rates (for primary services) by 9.5%. In the residence category, there were decreases up to 40 cents per month and increases of up to 90 cents per month.

History of Regulation

1 9 7 4 March 28, 1974 (Cont'd)

New rate concepts that were proposed included: a 25¢ charge for certain calls to Directory Assistance, a two element service connection charge plan, a Residence Optional toll Calling Plan and a Station Weighting Plan to improve the cost versus revenue relationship in providing Extended Area Service.

Long distance proposed rate increases included: one cent on the overtime minute rate for customer dialed calls between 30 and 175 miles, five cents on the initial three minutes of operator handled calls over 30 miles and five cents on the person-to-person surcharge for calls over 30 miles.

1 9 7 5 January 16, 1975

The Commission approved in full the Company's Application filed March 28, 1974 with rates that were made effective February 15, 1975. It also approved a rate of return in the range 9.0% to 9.5%.

March 17, 1975

The Company filed with the Commission for increased rates estimated to produce additional revenues of \$50,000,000 in 1976. Proposed rates were increased generally 19.8% for all services.

Special rate proposals with social significance included in the Application were: a 50 per cent discount on basic exchange service rental for customers 65 years and older receiving the Federal Guaranteed Income Supplement; the removal of the 25 cent charge for residence hard-of-hearing handsets, and the introduction of separate rates for coin telephone sent-paid toll calls.

History of Regulation

1 9 7 5

November 3, 1975

The Canadian Transport Commission rendered a decision on B.C. Tel's Rate Application filed March 17, 1975.

Of special significance was the disallowance of the discount for Old Age Pensioners. The discount was ruled as a form of cross-subsidization which would leave room for charges of undue discrimination. The Commission further ruled that the \$2.5M savings to the Company, by not offering the OAP discount, should be passed on to residence customers. Anticipated revenues from Individual, 2-Party & Multi-Party residence subscribers were reduced by \$2.5M, thus yielding an average increase of 15.4% to residence customers. This was in comparison to the general increase of 19.8% to most other services.

In an Addendum to its Decision of November 3rd the Commission reduced its award by \$6.7M, which action it deemed necessary in order to conform with the regulations of the Anti-Inflation Board. This cut-back was apportioned equally over all services. The resultant percent increase was 17.1% to most services with the exception of residence rates which averaged an increase of 13.3%.

1 9 7 6

These new rates took effect January 1, 1976.

The Company filed an appeal with the Commission in February, 1976, requesting that it review its ruling on the Anti-Inflation guidelines. In its Decision of May 21, 1976, following a further review of the Company's financial situation, the Commission restored the \$6.7M increase, which was reflected in revised rates effective June 11, 1976.

Note: The Canadian Radio-television and Telecommunications Commission was established by the federal government on April 1, 1976. It assumed the regulatory functions of the Canadian Transport Commission and is now the government regulation agency under which the British Columbia Telephone Company operates.

History of Regulation

1 9 7 6

December 10, 1976

The Company filed an application with the Commission for an increase in rates of approximately 15 per cent in most monthly rentals and increases of about 10 per cent in long distance calls within B. C. For direct-dialed calls within B. C., proposed increases range from 2 to 5 cents per minute. Also proposed for direct-dialed long distance calling is a weekend maximum charge of 35 cents per minute between 5 p.m. Friday and 5 p.m. Sunday. Proposed also were separate and higher charges for business exchange lines when connected to multi-line telephones to better reflect average usage. The proposed rates, if in effect for the full year 1977, would produce additional revenues of about \$42.6 million.

1 9 7 7

March 15, 1977

The Commission held a pre-hearing conference to deal with certain interrogatories as well as the organization and conduct of the hearing into the Company's December 10, 1976 application. More than 1200 comments or interventions were received. Also, approximately 500 interrogatories seeking further details were submitted by the Commission and intervenors.

March 22, 1977

The central hearing commenced in Vancouver into the Company's December 10, 1976 application. For the first time, regional evening hearings were also held. These were in Vancouver, Delta, Victoria and Nanaimo. These locations were chosen on the basis of letters received by the Commission in response to the public notice circulated with the monthly telephone bills. The purpose of the regional hearings was to provide an opportunity for the public to participate in the hearing process in an informal atmosphere.

History of Regulation

1 9 7 7

May 17, 1977

The C.R.T.C. approved the majority of the requested rate increases but expressed concern about a number of aspects of the quality of telephone service. They also stated that higher costs and the need to improve the quality of service to subscribers are the paramount concerns which the rate increases should help to resolve. The only important rate proposals that did not receive full approval were service charges. The Commission agreed with the rate restructuring to recognize the separate work functions but stated the new rate structure extends undue preference to subscribers in Phone Mart areas. The charge for a new installation should be increased by \$5 instead of \$10.

Revised tariffs were filed by the Company to become effective May 30, 1977.

PROGRESSION OF TYPICAL EXCHANGE TELEPHONE RATES

Vancouver Exchange

| <u>D A T E</u> | <u>Individual Business</u> | | <u>Individual Residence</u> | |
|-------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| | <u>Basic Monthly Rate</u> | <u>Service Connect Charge</u> | <u>Basic Monthly Rate</u> | <u>Service Connect Charge</u> |
| 1919, December 23 | \$ 6.00 | \$ -- | \$ 3.00 | \$ -- |
| 1921, August 16 | 6.60 | 4.00 | 3.30 | 3.00 |
| 1937, November 1 | 7.50 | 4.00 | 3.50 | 3.00 |
| 1950, June 10 | 9.75 | 4.00 | 4.20 | 3.00 |
| 1950, October 6 | 10.25 | 4.00 | 4.40 | 3.00 |
| 1951, July 14 | 11.25 | 4.40 | 4.85 | 3.30 |
| 1952, January 14 | 11.70 | 4.55 | 5.00 | 3.40 |
| 1952, December 11 | 12.40 | 5.30 | 5.20 | 3.95 |
| 1953, April 1 | 13.25 | 5.30 | 5.35 | 3.95 |
| 1958, August 1 | 13.70 | 5.30 | 5.50 | 3.95 |
| 1958, September 8 | 13.70 | 6.50 | 5.50 | 4.50 |
| 1959, January 1 | 17.10 | 6.50 | 6.25 | 4.50 |
| 1961, May 1 | 17.10 | 10.00 | 6.25 | 6.00 |
| 1971, September 1 | 17.55 | 15.00 | 6.40 | 10.00 |
| 1975, February 15 | 20.20 | 15.00/25.00 | 6.95 | 10.00/15.00 |
| 1976, January 1 | 23.65 | 17.50/29.25 | 7.90 | 11.75/17.50 |
| 1976, June 11 | 24.20 | 18.00/30.00 | 8.05 | 12.00/18.00 |
| 1977, May 30 (proposed) | 27.75 | 21.00/44.00 | 9.25 | 15.00/23.00 |

PROGRESSION OF TYPICAL EXCHANGE TELEPHONE RATES

Victoria Exchange

| <u>D A T E</u> | <u>Individual Business</u> | | <u>Individual Residence</u> | |
|-------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| | <u>Basic Monthly Rate</u> | <u>Service Connect Charge</u> | <u>Basic Monthly Rate</u> | <u>Service Connect Charge</u> |
| 1919, December 23 | \$ 5.00 | \$ -- | \$ 3.00 | \$ -- |
| 1921, August 16 | 5.50 | 4.00 | 3.30 | 3.00 |
| 1950, June 10 | 7.00 | 4.00 | 3.50 | 3.00 |
| 1950, October 6 | 7.35 | 4.00 | 3.65 | 3.00 |
| 1951, July 14 | 8.10 | 4.40 | 4.00 | 3.30 |
| 1952, January 14 | 8.40 | 4.55 | 4.15 | 3.40 |
| 1952, December 11 | 8.90 | 5.30 | 4.35 | 3.95 |
| 1953, April 1 | 9.50 | 5.30 | 4.50 | 3.95 |
| 1958, August 1 | 10.00 | 5.30 | 4.65 | 3.95 |
| 1958, September 8 | 10.00 | 6.50 | 4.65 | 4.50 |
| 1959, January 1 | 13.20 | 6.50 | 5.40 | 4.50 |
| 1961, May 1 | 13.20 | 10.00 | 5.40 | 6.00 |
| 1971, September 1 | 13.55 | 15.00 | 5.55 | 10.00 |
| 1975, February 15 | 14.35 | 15.00/25.00 | 5.75 | 10.00/15.00 |
| 1976, January 1 | 16.80 | 17.50/29.25 | 6.50 | 11.75/17.50 |
| 1976, June 11 | 17.15 | 18.00/30.00 | 6.65 | 12.00/18.00 |
| 1977, May 30 (proposed) | 19.70 | 21.00/44.00 | 7.65 | 15.00/23.00 |

BRITISH COLUMBIA TELEPHONE COMPANY

Explanation of Rate Groups

Telephone rates in the British Columbia Telephone Company system now are based on the rating concept approved in 1975 by the Canadian Transport Commission.

Monthly charges for local business and residence telephones are known as "monthly exchange service rates" and these vary according to the number of weighted main stations that can be reached without toll charge in the local free-calling area concerned.

The following pages set out the Exchange Rate Groups and the monthly Exchange Rates applied to each Group.

* * *

Moves from one group to another are regulated. The Company must report to the Canadian Radio-television and Telecommunications Commission twice a year on any exchange which outgrows its rate group by at least five per cent. Where it is shown that the exchange will likely continue to have its total main stations remain above its existing rate group's upper limit, the Commission directs the Company to adjust the rates of the particular exchange to conform with the proper grouping. The same procedure applies should the total main stations in an exchange drop below the bottom station limit of the current grouping.

* * *

The common basis is applied uniformly to exchanges of similar telephone development and rates are compatible with the scope of service offered.

BRITISH COLUMBIA TELEPHONE COMPANY

Exchange Rate Groups

1. The station limits of the various rate groups are given below:

| <u>Rate Group</u> | <u>Telephone Count</u> | |
|-------------------|-----------------------------------|------------|
| 1 | Exchanges without 24-hour service | (Note) |
| 2 | 1 - | 1,000 |
| 3 | 1,001 - | 4,000 |
| 4 | 4,001 - | 12,500 |
| 5 | 12,501 - | 30,000 |
| 6 | 30,001 - | 75,000 |
| 7 | 75,001 - | 145,000 |
| 8 | 145,001 - | 300,000 |
| 9 | 300,001 - | 550,000 |
| 10 | 550,001 - | 1,000,000 |
| 11 | 1,000,001 - | 1,900,000 |
| 12 | 1,900,001 - | 3,100,000 |
| 13 | 3,100,001 - | 4,300,000 |
| 14 | 4,300,001 - | 5,500,000 |
| 15 | 5,500,001 - | 6,700,000 |
| 16 | 6,700,001 - | 7,900,000 |
| 17 | 7,900,001 - | 9,100,000 |
| 18 | 9,100,001 - | 10,300,000 |
| 19 | 10,300,001 - | 11,500,000 |

2. Telephone Count

The telephone count includes all main stations, centrex stations and PBX Two-way and In trunks. In an exchange without extended area service this count is then compared to the station limits above to determine the appropriate rate group.

Note: When 24-hour service is introduced, either by manual or automatic operation, Group 2 rates will become applicable.

BRITISH COLUMBIA TELEPHONE COMPANY

Exchange Rates

The following table specifies the monthly exchange rates which shall apply to each unit of main station service or private branch exchange trunk service in all rate groups. The rates for main station services include the provision of standard single-line telephones.

| | BUSINESS SERVICES | | | | | | RESIDENCE SERVICES | | |
|------------|--------------------|----------------|------------------------------|-------------|-----------------|-----------------------------------|---------------------|-----------|-------------|
| Rate Group | Individual or Data | Overline Trunk | Individual Measured (Note 1) | Multi-Party | PBX Trunk 1-Way | PBX Trunk 2-Way/or Computer Trunk | Individual (Note 2) | Two-Party | Multi-Party |
| 1 | \$ 8.05 | \$ 8.85 | \$----- | \$ 4.95 | \$12.50 | \$13.30 | \$ 4.85 | \$ 3.80 | \$ 3.15 |
| 2 | 9.60 | 10.55 | ----- | 5.75 | 14.90 | 15.85 | 5.25 | 4.00 | 3.30 |
| 3 | 11.15 | 12.25 | ----- | 6.55 | 17.30 | 18.40 | 5.65 | 4.30 | 3.45 |
| 4 | 12.75 | 14.05 | ----- | 7.35 | 19.75 | 21.10 | 6.05 | 4.60 | 3.65 |
| 5 | 14.40 | 15.85 | ----- | 8.15 | 22.30 | 23.80 | 6.45 | 4.90 | 3.85 |
| 6 | 16.05 | 17.65 | ----- | 8.95 | 24.85 | 26.50 | 6.85 | 5.20 | 4.10 |
| 7 | 17.70 | 19.45 | ----- | 9.80 | 27.45 | 29.20 | 7.25 | 5.50 | 4.35 |
| 8 | 19.70 | 21.65 | 11.15 | 10.65 | 30.55 | 32.50 | 7.65 | 5.80 | 4.65 |
| 9 | 21.70 | 23.85 | 12.15 | 11.50 | 33.65 | 35.80 | 8.05 | 6.15 | 4.95 |
| 10 | 23.70 | 26.05 | 13.15 | 12.35 | 36.75 | 39.10 | 8.45 | 6.50 | 5.25 |
| 11 | 25.70 | 28.25 | 14.15 | 13.25 | 39.85 | 42.40 | 8.85 | 6.85 | 5.55 |
| 12 | 27.75 | 30.50 | 15.25 | 14.25 | 43.05 | 45.75 | 9.25 | 7.20 | 5.85 |
| 13 | 29.80 | 32.80 | 16.40 | 15.25 | 46.25 | 49.10 | 9.65 | 7.55 | 6.15 |
| 14 | 31.90 | 35.10 | 17.55 | 16.30 | 49.45 | 52.60 | 10.25 | 8.10 | 6.55 |
| 15 | 34.00 | 37.40 | 18.70 | 17.35 | 52.70 | 56.10 | 11.10 | 8.90 | 7.30 |
| 16 | 36.10 | 39.70 | 19.85 | 18.40 | 55.95 | 59.60 | 12.25 | 10.00 | 8.35 |
| 17 | 38.20 | 42.00 | 21.00 | 19.45 | 59.20 | 63.10 | 13.40 | 11.10 | 9.40 |
| 18 | 40.30 | 44.30 | 22.15 | 20.50 | 62.45 | 66.60 | 14.55 | 12.20 | 10.45 |
| 19 | 42.40 | 46.60 | 23.30 | 21.55 | 65.70 | 70.10 | 15.70 | 13.30 | 11.50 |

Note: 1. Includes 50 outgoing local calls, excess calls are charged at \$.08 each.

2. Where overline service is required for two or more individual residence lines in connection with a single service, an additional monthly charge of \$1.80 applies to each line in the group.

EXCHANGES

The Rate Group and Extended Service Area, if applicable, are shown below for each exchange. Free calling exists between the Exchange and the Extended Service Area.

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|-----------------|-----------------------|---|----------------------------|-----------------------|-------------------------------------|
| Abbotsford | 6 | Aldergrove, Mission | Bouchie Lake | 5 | Dragon Lake, Kersley, Quesnel |
| Agassiz | 3 | | | | |
| Ahousat | 1 | | | | |
| Aiyansh | 2 | | Bowen Island | 2 | |
| Aldergrove | 7 | Abbotsford, Langley | Bowser | 6 | Nanoose, Parksville, Qualicum |
| Alert Bay | 3 | Beaver Cove, Port McNeill, Sointula | Brackendale Bridge Lake | 3 2 | Squamish |
| Alexis Creek | 2 | | Britannia Beach | 2 | |
| Ashcroft | 3 | Cache Creek | Burns Lake | 3 | Decker Lake, Francois Lake |
| Aspen Park | 6 | Dallas, North Kamloops, South Kamloops, Westsyde | | | |
| Atlin | 2 | | Cache Creek | 3 | Ashcroft |
| Avola | 2 | | Campbell River | 4 | Quadra Island, Willow Point |
| | | | Canal Flats | 2 | |
| Balfour | 2 | | Castlegar | 4 | Thrums |
| Bamfield | 2 | | Celista | 5 | Chase, Pritchard, Sorrento |
| Barriere | 2 | | | | |
| Bear Lake | 2 | | | | |
| Beaver Cove | 4 | Alert Bay, Port McNeill, Sointula | Chase | 5 | Celista, Pritchard, Sorrento |
| Beaverdell | 2 | | Chemainus | 6 | Duncan, Ladysmith |
| Bella Bella | 2 | | | | |
| Bella Coola | 2 | Hagensborg | Chetwynd | 2 | |
| Black Point | 5 | Powell River, Vananda, Westview | Chief Lake | 2 | |
| | | | Chilako | 2 | |
| Blue River | 2 | | Chilliwack | 5 | Rosedale, Sardis, Yarrow |
| Boston Bar | 2 | | | | |
| Boswell | 2 | | Christina Lake | 2 | |
| | | | Clearwater | 2 | |
| | | | Clinton | 2 | |

EXCHANGES (Continued)

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|------------------|-----------------------|---|---|----------------------------|---|
| Cloverdale | 15 | Langley, Newton, New Westminster, Richmond, Vancouver, Whalley, White Rock | East Pine Elkford Elko Fairmont | 2 2 5 5 | Fernie, Grasmere Invermere, Radium Westwold |
| Cluculz Lake | 2 | | Falkland | 2 | |
| Cobble Hill | 5 | Duncan | Fauquier | 2 | |
| Comox | 5 | Courtenay, Cumberland, Oyster Bay, Union Bay | Fernie Field Flatrock Forest Grove | 3 2 2 5 | Elko 100 Mile House, 108 Mile House |
| Cortez Island | 2 | | Fort Fraser | 2 | |
| Courtenay | 5 | Comox, Cumber- land, Oyster Bay, Union Bay | Fort St. James | 2 | |
| Cranbrook | 4 | | Fort St. John | 4 | Montney, Taylor |
| Crawford Bay | 2 | | | | |
| Creston | 3 | Wynndel | | | |
| Cumberland | 6 | Comox, Courtenay, Oyster Bay, Union Bay | Francois Lake Fraser Lake Fruitvale Fulford Harbour | 4 2 5 4 | Burns Lake, Decker Lake Genelle, Trail Ganges |
| Dallas | 7 | Aspen Park, North Kamloops, South Kamloops, Westsyde | Gabriola Island | 6 | Lantzville, Nanaimo, Wellington |
| Dawson Creek | 4 | Pouce Coupe, Rolla, Willowbrook | Ganges Genelle | 3 6 | Fulford Harbour Fruitvale, Rossland, Trail |
| Decker Lake | 4 | Burns Lake, Francois Lake | Gibsons | 5 | Port Mellon, Sechelt |
| Donald | 2 | | | | |
| Dragon Lake | 4 | Bouchie Lake, Kersley, Ouesnel | | | |
| Duncan | 5 | Chemainus, Cobble Hill | Giscome Gold Bridge Golden Gold River Grand Forks Granisle | 2 2 3 2 3 2 | |
| Duncan Lake | 2 | | | | |
| Dunster | 2 | | | | |

EXCHANGES (Continued)

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|------------------|-----------------------|----------------------------------|--------------------|-----------------------|--|
| Grasmere | 3 | Elko | Kaslo | 2 | |
| Grassy Plains | 2 | | Kemano | 2 | |
| Greenwood | 2 | Midway | Keremeos | 2 | |
| Gulf Islands | 3 | Pender Islands | Kersley | 6 | Bouchie Lake, Quesnel, Dragon Lake |
| Hagensborg | 2 | Bella Coola | Kimberley | 3 | |
| Haney | 16 | New Westminster | Kitimat | 3 | |
| | | Pitt Meadows, | Kitwanga | 2 | |
| | | Port Coquitlam | | | |
| | | Port Moody, | Lac la Hache | 2 | |
| | | Richmond, | Ladner | 13 | Newton, New Westminster, Richmond, Vancouver, Whalley, White Rock |
| | | Vancouver, | | | Chemainus, Lantzville, Nanaimo, Wellington |
| | | Whonnock | | | |
| Hansard | 2 | Pineview, | | | |
| Hartway | 6 | Prince George, | Ladysmith | 8 | |
| | | Vanway | | | |
| Hazelton | 2 | | | | |
| Hedley | 2 | | | | |
| Hendrix Lake | 2 | | | | |
| Highland Valley | 3 | Logan Lake | Lake | | |
| Hixon | 2 | | Cowichan | 3 | Youbou |
| Holberg | 2 | | Langley | 15 | Aldergrove, Cloverdale, Newton, New Westminster, Richmond, Vancouver, Whalley, White Rock |
| Hope | 3 | Yale | | | Gabriola Island, Ladysmith, Nanaimo, Wellington |
| Horsefly | 2 | | | | |
| Houston | 2 | | | | |
| Hudson's Hope | 2 | | | | |
| Invermere | 3 | Fairmont, Radium | Lantzville | 7 | |
| Jaffray | 2 | | | | |
| Jordan River | 6 | Sooke | Lasqueti Island | 2 | |
| | | | Likely | 2 | |
| Kamloops (North) | | See North | Lillooet | 2 | |
| | | Kamloops | Little Fort | 2 | |
| Kamloops (South) | | See South | Logan Lake | 2 | Highland Valley |
| | | Kamloops | | | |
| | | | Lytton | 2 | |

EXCHANGES (Continued)

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|-----------------|-----------------------|---|---|---------------------------------|--|
| McBride | 2 | | New | | |
| McLeese Lake | 2 | | Westminster | 12 | Cloverdale, Haney, Ladner, Langley, Newton, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, Vancouver, West Vancouver, Whalley, White Rock, Whonnock |
| McLeod Lake | 2 | | | | |
| Mackenzie | 3 | | | | |
| Manning Park | 2 | | | | |
| Masset | 2 | | | | |
| Merritt | 3 | | | | |
| Midway | 3 | Greenwood | | | |
| Mission | 6 | Abbotsford, Whonnock | | | |
| Montney | 6 | Fort St. John, Taylor | North Kamloops | 6 | Aspen Park, Dallas, South Kamloops, Westsyde |
| Moyie | 2 | | | | |
| Nakusp | 2 | | | | |
| Nanaimo | 6 | Gabriola Island, Ladysmith, Lantzville, Wellington | North Nelson North Vancouver | 5 11 | Nelson New Westminster, Port Moody, Richmond, Vancouver, West Vancouver |
| Nanoose | 6 | Bowser, Parksville, Qualicum | | | |
| Nelson | 4 | North Nelson | | | |
| New Denver | 2 | | | | |
| Newton | 14 | Cloverdale, Ladner, Langley, New Westminster, Richmond, Whalley, White Rock | Ocean Falls Oliver 100 Mile House 108 Mile House 150 Mile House Osoyoos Oyster Bay | 2 5 4 4 5 5 7 | Osoyoos Forest Grove, 108 Mile House Forest Grove, 100 Mile House Wildwood, Williams Lake Oliver Comox, Courtenay Cumberland, Union Bay |

EXCHANGES (Continued)

| EXCHANGE | RATE GROUP | EXTENDED SERVICE AREA | EXCHANGE | RATE GROUP | EXTENDED SERVICE AREA |
|---------------|---------------|---|------------------|---------------|---|
| Parksville | 5 | Bowser, Nanoose, Qualicum | Pouce Coupe | 5 | Dawson Creek, Rolla, Willowbrook |
| Parson | 2 | | Powell River | 4 | Black Point, Vananda, Westview |
| Pemberton | 2 | | | | |
| Pender | | | Prince | | |
| Harbour | 2 | | George | 6 | Hartway, Pineview, Vanway |
| Pender | | | | | |
| Islands | 3 | Gulf Islands | | | |
| Pineview | 6 | Hartway, Prince George, Vanway | Princeton | 3 | |
| Pitt | | | Pritchard | 6 | Celista, Chase, Sorrento |
| Meadows | 15 | Haney, New Westminster, Port Coquitlam, Port Moody, Richmond, Vancouver, Whonnock | Quadra Island | 4 | Campbell River, Willow Point |
| Port | | | Qualicum | 5 | Bowser, Nanoose, Parksville |
| Alberni | 4 | | Queen | | |
| Port Alice | 2 | | Charlotte | 3 | Sandspit |
| Port Clements | 2 | | Quesnel | 4 | Bouchie Lake, Dragon Lake, Kersley |
| Port | | | | | |
| Coquitlam | 14 | Haney, New Westminster, Pitt Meadows, Port Moody, Richmond, Vancouver, Whalley, Whonnock | Radium | 4 | Fairmont, Invermere |
| Port Edward | 5 | Prince Rupert | Red Rock | 2 | |
| Port Hardy | 3 | | Richmond | 12 | Cloverdale, Haney, Ladner, Langley, Newton, New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Vancouver, West Vancouver, Whalley, White Rock, Whonnock |
| Port McNeill | 3 | Alert Bay, Beaver Cove, Sointula | | | |
| Port Mellon | 5 | Gibsons, Sechelt | | | |
| Port Moody | 12 | Haney, New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Richmond, Vancouver, West Vancouver, Whalley, Whonnock | | | |
| Port Renfrew | 2 | | | | |
| Port Simpson | 2 | | | | |

EXCHANGES (Continued)

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|------------------|-----------------------|--|--------------------|-----------------------|---|
| Riondel | 2 | | Sorrento | 5 | Celista, Chase, Pritchard |
| Rock Creek | 2 | | | | |
| Rolla | 6 | Dawson Creek, Pouce Coupe, Willowbrook | South Kamloops | 5 | Aspen Park, Dallas, North Kamloops, Westsyde |
| Rosedale | 6 | Chilliwack, Sardis, Yarrow | | | |
| Rossland | 5 | Genelle, Trail | South Slocan | 3 | Thrums, Vallican |
| Saanich | 10 | Victoria | Sparwood | 3 | |
| Salmo | 2 | | Spences Bridge | 2 | |
| Salmon Valley | 2 | | Spilli- macheen | 2 | |
| Sandspit | 3 | Queen Charlotte | Squamish | 3 | Brackendale |
| Sardis | 6 | Chilliwack, Rosedale, Yarrow | Stewart | 2 | |
| Savona | 2 | | Summitt Lake | 2 | |
| Sayward | 2 | | Tahsis | 2 | |
| Sechelt | 5 | Gibsons, Port Mellon | Tasu | 2 | |
| | | | Taylor | 5 | Fort St. John, Montney Smithers |
| 70 Mile House | 2 | | Telkwa | 4 | |
| Shalalth | 2 | | Terrace | 4 | |
| Skookumchuck | 2 | | Thrums | 5 | Castlegar, South Slocan, Vallican |
| Slocan | 2 | | | | Ucluelet |
| Smithers | 3 | Telkwa | Tofino | 4 | |
| Sointula | 3 | Alert Bay, Beaver Cove, Port McNeill | Topley | 2 | |
| | | Jordan River, Victoria | Trail | 5 | Fruitvale, Genelle, Rossland |
| Sooke | 11 | | | | |

EXCHANGES (Continued)

| <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> | <u>EXCHANGE</u> | <u>RATE GROUP</u> | <u>EXTENDED SERVICE AREA</u> |
|-------------------|-----------------------|---|---------------------------------|-----------------------|--|
| Ucluelet | 4 | Tofino | Westview | 4 | Black Point, |
| Union Bay | 6 | Comox, Courtenay, Cumberland, Oyster Bay | Westwold | 2 | Powell River, |
| | | | Whalley | 13 | Vananda |
| Valemount | 2 | | | | Falkland |
| Vallican | 4 | South Slokan, Thrums | | | Cloverdale, |
| Vananda | 5 | Black Point, Powell River, Westview | | | Ladner, Langley, |
| Vancouver | 12 | Cloverdale, Haney, Ladner, Langley, Newton New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, West Vancouver, Whalley, White Rock, Whonnock | Whistler White Rock | 2 15 | Newton, New Westminster, Port Coquitlam, Port Moody, Richmond, Vancouver, White Rock |
| Vanderhoof | 3 | | | | Cloverdale, |
| Vanway | 6 | Hartway, Pineview, Prince George | Whonnock | 17 | Ladner, Langley, Newton, New Westminster, Richmond, Vancouver, Whalley |
| Vavenby | 2 | | | | Haney, Mission, New Westminster, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, Vancouver |
| Victoria | 8 | Saanich, Sooke | Wildwood | 5 | 150 Mile House, Williams Lake |
| Wellington | 7 | Gabriola Island, Ladysmith, Lantzville, Nanaimo | Williams Lake | 4 | 150 Mile House, |
| Wells | 2 | | Willowbrook | 6 | Wildwood |
| Westsyde | 6 | Aspen Park, Dallas, North Kamloops, South Kamloops | Willow Flats Willow Point | 2 5 | Dawson Creek, Pouce Coupe, Rolla |
| West Vancouver | 11 | New Westminster, North Vancouver, Port Moody, Richmond, Vancouver | Woodfibre Wynndel | 2 4 | Campbell River, Quadra Island |
| | | | Yahk | 2 | Creston |
| | | | Yale | 5 | |
| | | | Yarrow | 6 | Hope |
| | | | Youbou | 4 | Chilliwack, Rosedale, Sardis |
| | | | Zeballos | 2 | Lake Cowichan |

LONG DISTANCE RATES

Rates for long distance calls carried throughout North America are based on the class of call, time of day, duration of call and the airline distance between the calling and called points. If these factors are common then the same rate always applies to calls between the same points, regardless of the direction of the call. However, in certain cases, special surcharges and/or government taxes apply to calls in one direction but not to those in the other direction. The actual physical routing of long distance calls has no bearing on the rate charged to the customer.

Five long distance rate schedules plus overseas rate schedules apply to calls handled from British Columbia Telephone Company exchanges:

1. The British Columbia rate schedule applies to calls between points served by B. C. Telephone Company, and to calls from B. C. Telephone Company points to points served by the Okanagan Telephone Company.
2. The British Columbia - Alberta schedule applies to calls between points in British Columbia and Alberta.
3. The Northwest rate schedule applies to calls between centres served by B. C. Telephone Company, Okanagan Telephone Company and Prince Rupert, and centres served by Canadian National Telecommunications in B. C., Yukon and the District of Mackenzie, Northwest Territories.
4. The Trans-Canada rate schedule (Trans-Canada Telephone System) applies to calls between British Columbia points and other Canadian centres situated east of Alberta.
5. The Canada - United States rate schedule (American Telephone and Telegraph Company's Long Lines 2 rate schedule) applies on calls to the continental United States.

B.C. Tel Long Distance Rates (Cont'd)

The Trans-Canada Telephone System which provides long distance message and other communications services coast to coast in Canada, is a combination of the nine principal telephone systems which furnish the bulk of the telephones operating in the ten provinces. Each telephone system assigns the facilities necessary to carry the nationwide messages through its particular territory.

* * *

Telephone calls destined to overseas countries are handled by circuits furnished by Teleglobe Canada, formerly the Canadian Overseas Telecommunication Corporation, which interconnects with the Trans-Canada Telephone System at Vancouver and Montreal. In cases where Teleglobe Canada does not furnish service, certain countries may be reached via the American Telephone and Telegraph Company's connecting overseas carriers.

BRITISH COLUMBIA TELEPHONE COMPANY

CAPITALIZATION

DECEMBER 31, 1976

*(with amendments for changes authorized
by shareholders on March 13, 1975 and
June 26, 1975.)*

The Company was incorporated by Special Act of Parliament of Canada: Special Act 6-7 George V (1916) Chapter 66 as amended by 4-5 George VI (1940-1941) Chapter 36, and by 11 George VI (1947) Chapter 86, and by 15 George VI (1951) Chapter 85, and by 6 Elizabeth II (1957-1958) Chapter 40, and by 8-9 Elizabeth II (1960) Chapter 66 and by 23 Elizabeth II (1974).

| | |
|--------------------|--------------------------|
| Authorized capital | \$1,250,000,000 ===== |
|--------------------|--------------------------|

| | |
|---|-------------------------|
| Directors authorized by shareholders Annual Meeting March 13, 1975, to issue capital, subject to approval of Canadian Transport Commission, up to | \$ 750,000,000 ===== |
|---|-------------------------|

Issued and outstanding:

| | | |
|---|--------------------|-------------------------|
| Preference and Preferred shares | \$145,600,000 | |
| Convertible Subordinate Preferred shares | 58,834,000 | |
| Ordinary shares | <u>157,421,000</u> | \$ 361,855,000 ===== |

BRITISH COLUMBIA TELEPHONE COMPANY

CAPITAL STRUCTURE

AS AT DECEMBER 31, 1976

| | | |
|---|------------------------|---------------|
| (1) Ordinary shares (18,833,607 without par value) | \$ 157,421,000 | 14.6% |
| Earnings retained | <u>90,930,000</u> | <u>8.4</u> |
| | 248,351,000 | 23.0 |
| Convertible Subordinate Pfd. shs. | 58,834,000 | 5.5 |
| Preference and Preferred shares | 145,600,000 | 13.5 |
| Minority interest in subsidiary | <u>455,000</u> | <u>-</u> |
| Total Share Capital | 453,240,000 | 42.0 |
| Long term debt | <u>627,157,000</u> | <u>58.0</u> |
| TOTAL CAPITAL | <u>\$1,080,397,000</u> | <u>100.0%</u> |
| | ===== | ===== |

(1) Effective April 1, 1975 each ordinary share with a par value of \$25 each was subdivided into five ordinary shares with a par value of \$5 each. On June 26, 1975, ordinary shares with a par value of \$5 each were changed to ordinary shares without par value.

BRITISH COLUMBIA TELEPHONE COMPANY

FIRST MORTGAGE BONDS AND CAPITAL STOCK OUTSTANDING - DECEMBER 31, 1976

FIRST MORTGAGE BONDS

| Interest | Series | D u e | Amount |
|----------|--------|-----------------|---------------|
| 5 % | F | Apr. 1, 1982 | \$ 25,000,000 |
| 5 1/4 % | G | Nov. 1, 1983 | 20,000,000 |
| 6 % | H | Sep.15, 1984 | 15,000,000 |
| 5 3/4 % | I | Aug. 1, 1985 | 15,000,000 |
| 5 3/4 % | J | Jul.15, 1986 | 20,000,000 |
| 5 5/8 % | K | Apr.15, 1988 | 20,000,000 |
| 6 3/4 % | L | Oct.15, 1989 | 30,000,000 |
| 6 3/8 % | M | Mar.15, 1991 | 30,000,000 |
| 9 1/8 % | N | Apr. 1, 1990 | 3,263,000 |
| 9 5/8 % | O | Nov.15, 1992 | 18,000,000 |
| 9 1/8 % | P | Nov.15, 1992 | 544,000 |
| 8 1/4 % | Q | Mar. 1, 1994 | 35,000,000 |
| 7 1/2 % | R | Nov.15, 1978 | 10,000,000 |
| 7 7/8 % | S | Nov.15, 1995 | 25,000,000 |
| 8 5/8 % | T | Oct.15, 1993 | 40,000,000 |
| 8 1/8 % | U | Nov. 1, 1996 | 19,809,000 |
| 9 % | V | Oct. 1, 1997 | 40,000,000 |
| 8 3/4 % | W | Jan.15, 1981 | 11,000,000 |
| 9 1/4 % | X | Apr.15, 1998 | 35,000,000 |
| 11 % | Y | Jan.15, 1996 | 45,000,000 |
| 8 3/8 % | Z | Apr. 1, 1980 | 20,000,000 |
| 10 1/4 % | AA | Apr. 1, 1995 | 30,000,000 |
| 10 1/4 % | AB | Dec. 1, 1981 | 25,000,000 |
| 10 1/2 % | AC | Feb. 1, 1982-96 | 29,673,000 |
| 10 1/4 % | AD | Oct.15, 2001 | 60,000,000 |

Okanagan Telephone Company
General Mortgage Sinking
Fund Bonds due 1975 to 1986
at interest rates of 5% to
6 1/2%.

4,868,000

\$627,157,000

* \$50 million U.S. Funds

(1) With right of prepayment at holder's option:
November 15, 1976.

CAPITAL STOCK

| Interest | ParValue | No. Shares | Amount |
|----------|----------|------------|--------|
| Each | | | |

Preference and Preferred Shares

Cumulative Preference Shares

| | | | |
|-----|-------|--------|--------------|
| 6 % | \$100 | 10,000 | \$ 1,000,000 |
| 6 % | \$100 | 45,000 | 4,500,000 |

Cumulative Redeemable Preferred Shares

| | | | |
|-----------|-------|-----------|------------|
| 4 3/4 % | \$100 | 75,000 | 7,500,000 |
| * 4 3/4 % | \$100 | 75,000 | 7,500,000 |
| 4 1/2 % | \$100 | 50,000 | 5,000,000 |
| 4 3/8 % | \$100 | 60,000 | 6,000,000 |
| 5 3/4 % | \$100 | 100,000 | 10,000,000 |
| 5.15 % | \$100 | 120,000 | 12,000,000 |
| 4.84 % | \$ 25 | 800,000 | 20,000,000 |
| 6.80 % | \$ 25 | 400,000 | 10,000,000 |
| 7.04 % | \$ 25 | 800,000 | 20,000,000 |
| 8 3/4 % | \$ 25 | 544,000 | 13,600,000 |
| 10.16 % | \$ 25 | 1,140,000 | 28,500,000 |

Convertible Subordinate Redeemable Preferred Shares

| | | | |
|---------|-------|-----------|---------------|
| 12.32 % | \$ 25 | 2,353,349 | 58,834,000 |
| | | | \$204,434,000 |

Ordinary Shares Outstanding

(no par) 18,833,607 157,421,000

* Series 1956 \$361,855,000

S U M M A R Y

| | |
|----------------------|---------------|
| First Mortgage Bonds | \$627,157,000 |
| Capital Stock | 204,434,000 |
| Ordinary Shares | 157,421,000 |
| Grand Total | \$989,012,000 |

BRITISH COLUMBIA TELEPHONE COMPANY

FIRST MORTGAGE BONDS

SUMMARY OF MATURITIES

| Series | Interest R a t e | Maturity Date | A m o u n t | Annual Interest |
|---|---------------------|----------------------|---------------|--------------------|
| F | 5 % | April, 1982 | \$ 25,000,000 | \$ 1,250,000 |
| G | 5 1/4% | November 1, 1983 | 20,000,000 | 1,050,000 |
| H | 6 % | September 15, 1984 | 15,000,000 | 900,000 |
| I | 5 3/4% | August 1, 1985 | 15,000,000 | 862,500 |
| J | 5 3/4% | July 15, 1986 | 20,000,000 | 1,150,000 |
| K | 5 5/8% | April 15, 1988 | 20,000,000 | 1,125,000 |
| L | 6 3/4% | October 15, 1989 | 30,000,000 | 2,025,000 |
| M | 6 3/8% | March 15, 1991 | 30,000,000 | 1,912,500 |
| N | 9 1/8% | April 1, 1990 | 3,263,000 | 297,749 |
| O | 9 5/8% | November 15, 1992 | 18,000,000 | 1,732,500 |
| P | 9 1/8% | November 15, 1992 | 544,000 | 49,640 |
| Q | 8 1/4% | March 1, 1994 | 35,000,000 | 2,887,500 |
| R | 7 1/2% | November 15, 1978 | 10,000,000 | 750,000 |
| S | 7 7/8% | November 15, 1995 | 25,000,000 | 1,968,750 |
| T | 8 5/8% | October 15, 1993 | 40,000,000 | 3,450,000 |
| U | 8 1/8% | November 1, 1996 (1) | 19,809,375 | 1,625,000 |
| V | 9 % | October 1, 1997 | 40,000,000 | 3,600,000 |
| W | 8 3/4% | January 15, 1981 | 11,000,000 | 962,500 |
| X | 9 1/4% | April 15, 1998 | 35,000,000 | 3,237,500 |
| Y | 11 % | January 15, 1996 | 45,000,000 | 4,950,000 |
| Z | 8 3/8% | April 1, 1980 | 20,000,000 | 1,675,000 |
| AA | 10 1/4% | April 1, 1995 | 30,000,000 | 3,075,000 |
| AB | 10 1/4% | December 1, 1981 | 25,000,000 | 2,562,500 |
| AC | 10 1/2% | February 1, 1982-96 | 29,673,000 | 3,150,000 |
| AD | 10 1/4% | October 15, 2001 | 60,000,000 | 6,150,000 |
| Average | 8.42 % | | \$622,289,000 | \$52,399,000 |
| Okanagan Telephone Company C-H incl. 5 3/4% - 6 1/2% | | | 4,868,000 | 302,000 |
| Average | 8.40 % | | \$627,157,000 | \$52,701,000 |
| | | | ===== | ===== |

(1) \$20,000,000 issue
in U.S. Funds

December 31, 1976

BRITISH COLUMBIA TELEPHONE COMPANY

ORDINARY SHARE ISSUES

| Date of Issue | Par Value | "Rights" | Number Issued | Issue Price | (1) Proceeds | Total Shares Outstanding |
|---------------|--|--------------|---------------|-------------|--------------|--------------------------|
| May, 1927 | \$100 | | | | | 45,000 |
| Jun. 1948 | 100 | 1 for 3 | 15,000 | \$125.00 | \$ 1,875,000 | 60,000 |
| Nov. 1950 | 100 | Underwriters | 20,000 | 132.50 | 2,650,000 | 80,000 |
| Apr. 1951 | 100 | 1 for 2 | 40,000 | 132.50 | 5,300,000 | 120,000 |
| Jul. 1951 | Par value changed from \$100 to \$25. Shares exchanged 4 for 1 | | | | | 480,000 |
| Apr. 1953 | 25 | 1 for 3 | 160,000 | 29.00 | 4,640,000 | 640,000 |
| Apr. 1954 | 25 | 1 for 4 | 160,000 | 31.50 | 5,040,000 | 800,000 |
| Jan. 1956 | 25 | 1 for 4 | 200,000 | 40.50 | 8,100,000 | 1,000,000 |
| Sept. 1956 | 25 | 1 for 5 | 200,000 | 38.00 | 7,609,604 | 1,200,000 |
| Jan. 1959 | 25 | 1 for 4 | 300,000 | 34.00 | 10,214,679 | 1,500,000 |
| Aug. 1960 | 25 | (2) | 144,000 | 40.62 | 5,850,000 | 1,644,000 |
| Mar. 1961 | 25 | 1 for 6 | 274,000 | 38.00 | 10,421,765 | 1,918,000 |
| Aug. 1962 | 25 | 1 for 5 | 383,600 | 38.00 | 14,587,936 | 2,301,600 |
| Sept. 1965 | 25 | 1 for 8 | 287,700 | 57.00 | 16,415,156 | 2,589,300 |
| Feb. 1969 | 25 | 1 for 9 | 287,700 | 60.00 | 17,269,109 | 2,877,000 |
| Sept. 1971 | 25 | 1 for 8 | 359,625 | 56.00 | 20,148,136 | 3,236,625 |
| Aug. 1973 | 25 | (3) | 49 | 61.09 | 2,993 | 3,236,674 |
| Oct. 1974 | 25 | 1 for 6 | 529,775 | 43.00 | 22,780,325 | 3,766,449 |
| Apr. 1975 | Par value changed from \$25 to \$5 (and to no par, June 26, 1975.) Shares exchanged 5 for 1 | | | | | 18,832,245 |
| Jun. 1976 | 2,354,030 subordinate redeemable preferred shares convertible into 4,708,060 common shares | | | | | |
| Dec. 1976 | Conversions during 1976 increased ordinary by 1,362 shares | | | | | 18,833,607 |

- (1) In some cases the proceeds are greater than the issue price times the number of shares issued. This is the result of selling the few shares not taken up by "rights" at a higher price.
- (2) Issued in exchange for all of the outstanding ordinary shares of North-west Telephone Company.
- (3) First subscription to Employee Share Purchase Plan.

December 31, 1976

BRITISH COLUMBIA TELEPHONE COMPANY

ORDINARY SHARES - MARKET PRICE

Shares Listed for Trading:

| | |
|--------------------------|-------------------|
| Vancouver Stock Exchange | November 19, 1951 |
| Montreal Stock Exchange | November 20, 1951 |
| Toronto Stock Exchange | August 9, 1954 |

| Year | High | Low | Close |
|--------|--------|--------|--------|
| 1951 | 34-1/4 | 33-1/8 | |
| 1952 | 35 | 32 | 33-1/2 |
| 1953 | 36-1/2 | 32-1/2 | 35-7/8 |
| 1954 | 45 | 35-1/4 | 44-1/2 |
| 1955 | 50-1/8 | 43-1/2 | 50 |
| 1956 | 52 | 43 | 46 |
| 1957 | 47 | 37-1/4 | 38-1/8 |
| 1958 | 44-3/8 | 39-3/4 | 43 |
| 1959 | 47-3/8 | 39-1/2 | 42-1/2 |
| 1960 | 47-1/8 | 42 | 47-1/8 |
| 1961 | 52-1/2 | 45 | 50-7/8 |
| 1962 | 56-3/8 | 45 | 51 |
| 1963 | 57-3/4 | 52 | 57-1/2 |
| 1964 | 68 | 54-1/2 | 66 |
| 1965 | 72 | 63-1/2 | 66-1/2 |
| 1966 | 77-1/4 | 53 | 62-1/2 |
| 1967 | 69-7/8 | 53-1/8 | 53-1/8 |
| 1968 | 71 | 52-1/2 | 69 |
| 1969 | 75 | 62-1/4 | 72 |
| 1970 | 72 | 55 | 64 |
| 1971 | 69-1/2 | 57-3/8 | 65 |
| 1972 | 67-1/2 | 54 | 56-1/2 |
| 1973 | 58-1/2 | 47-1/2 | 49 |
| 1974 | 57-1/2 | 44-5/8 | 47 |
| 1975 * | 12 | 9-3/8 | 11-1/8 |
| 1976 | 13-1/2 | 11 | 13 |

* Shares split 5-for-1,
April 1, 1975.

December 31, 1976

BRITISH COLUMBIA TELEPHONE COMPANY

ORDINARY SHARE EARNINGS

| <u>Year</u> | <u>(2) Earnings Available for Ordinary Shares</u> | <u>Average Number of Ordinary Shares Outstanding</u> | <u>(2) Earnings per Average Ordinary Share</u> |
|-------------|---|--|--|
| 1955 | \$ 2,627,068 | 800,000 | \$ 3.28 |
| 1956 | 3,345,814 | 1,050,000 | 3.27 |
| 1957 | 3,145,108 | 1,200,000 | 2.62 |
| 1958 | 2,068,071 | 1,200,000 | 1.72 |
| 1959 | 4,567,300 | 1,500,000 | 3.04 |
| 1960 | 4,578,147 | 1,572,000 | 2.91 |
| 1961 | 5,937,903 | 1,849,500 | 3.21 |
| 1962 | 6,628,186 | 2,013,900 | 3.29 |
| 1963 | 7,609,738 | 2,301,600 | 3.31 |
| 1964 | 8,455,655 | 2,301,600 | 3.67 |
| 1965 | 9,880,115 | 2,373,525 | 4.16 |
| 1966 | 11,144,318 | 2,589,300 | 4.30 |
| 1967 | 11,617,610 | 2,589,300 | 4.49 |
| (3) 1968 | 12,613,750 | 2,589,300 | 4.87 |
| 1969 | 14,464,479 | 2,805,075 | 5.16 |
| 1970 | 14,418,485 | 2,877,000 | 5.01 |
| 1971 | 15,818,315 | 2,966,906 | 5.33 |
| 1972 | 19,761,668 | 3,236,625 | 6.11 |
| 1973 | 18,767,409 | 3,236,645 | 5.80 |
| 1974 | 18,755,896 | 3,369,108 | 5.57 |
| 1975 | (4) 26,859,091 | (5) 18,832,245 | 1.43 |
| 1976 | 27,792,142 | 18,833,607 | 1.48 |

(1) Year 1950 adjusted for stock split of 4 for 1 in 1951.

(2) The Earnings of Okanagan Telephone Company have been included commencing 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.

(3) Earnings for the years 1968 - 1971 have been restated to reflect the change in accounting for accrued vacation pay of employees.

(4) Includes extraordinary item of \$972,698.

(5) Reflects stock split of 5 for 1 on April 1, 1975, calculated for the full year.

BRITISH COLUMBIA TELEPHONE COMPANY

ORDINARY SHARE DIVIDENDS DECLARED

| <u>Y e a r</u> | <u>Ordinary Dividend Per Share</u> | <u>Total Ordinary Dividends</u> |
|----------------|--|-------------------------------------|
| 1955 | \$ 2.00 | \$ 1,600,000 |
| 1956 | 2.00 | 2,100,000 |
| 1957 | 2.00 | 2,400,000 |
| 1958 | 2.00 | 2,400,000 |
| 1959 | 2.05 | 3,075,000 |
| 1960 | 2.20 | 3,458,400 |
| 1961 | 2.20 | 4,068,900 |
| 1962 | 2.20 | 4,430,580 |
| 1963 | 2.30 | 5,293,680 |
| 1964 | 2.40 | 5,523,840 |
| 1965 | 2.40 | 5,696,460 |
| 1966 | 2.40 | 6,214,320 |
| 1967 | 2.55 | 6,602,715 |
| 1968 | 2.70 | 6,991,110 |
| 1969 | 3.00 | 8,415,225 |
| 1970 | 3.05 | 8,774,850 |
| 1971 | 3.20 | 9,494,100 |
| 1972 | 3.20 | 10,357,200 |
| 1973 | 3.20 | 10,357,278 |
| 1974 | 4.20 | 14,150,295 |
| (1) 1975 | .84 | 15,819,086 |
| 1976 | .96 | 18,079,348 |

(1) Year 1975 adjusted for stock split 5 for 1 in 1975.

BRITISH COLUMBIA TELEPHONE COMPANY

GROSS REVENUES
(Uncollectible deducted from Miscellaneous)

| | <u>Year</u> | <u>Local Service</u> | <u>Toll Service</u> | <u>Miscellaneous</u> | <u>T o t a l</u> |
|-----|-------------|----------------------|---------------------|----------------------|------------------|
| | 1955 | \$ 21,249,905 | \$ 10,363,764 | \$ 1,371,695 | \$ 32,985,364 |
| | 1956 | 23,505,410 | 12,009,504 | 1,653,043 | 37,167,957 |
| | 1957 | 25,789,123 | 13,560,965 | 1,973,241 | 41,323,329 |
| | 1958 | 28,098,477 | 14,678,462 | 2,099,654 | 44,876,593 |
| | 1959 | 35,152,890 | 17,322,785 | 2,391,507 | 54,867,182 |
| | 1960 | 37,217,693 | 18,970,192 | 2,654,829 | 58,842,714 |
| | 1961 | 40,826,116 | 23,685,017 | 2,860,909 | 67,372,042 |
| (1) | 1962 | 43,578,500 | 26,524,167 | 1,532,540 | 71,635,207 |
| | 1963 | 45,821,729 | 29,674,041 | 1,895,759 | 77,391,529 |
| | 1964 | 49,291,594 | 35,987,120 | 2,195,918 | 87,474,632 |
| | 1965 | 53,906,008 | 43,561,067 | 2,233,438 | 99,700,513 |
| | 1966 | 59,278,966 | 50,746,437 | 2,501,360 | 112,526,763 |
| (2) | 1967 | 67,410,124 | 56,552,044 | 2,865,748 | 126,827,916 |
| | 1968 | 72,640,898 | 63,391,164 | 3,357,287 | 139,389,349 |
| | 1969 | 78,362,989 | 74,968,593 | 4,712,199 | 158,043,781 |
| | 1970 | 85,447,867 | 84,906,382 | 4,516,042 | 174,870,291 |
| | 1971 | 93,444,149 | 100,044,418 | 6,403,491 | 199,892,058 |
| | 1972 | 106,289,369 | 114,741,633 | 6,733,670 | 227,764,672 |
| | 1973 | 117,468,834 | 132,659,152 | 8,799,433 | 258,927,419 |
| | 1974 | 129,197,057 | 163,256,182 | 10,419,784 | 302,873,023 |
| | 1975 | 154,956,272 | 194,904,814 | 10,826,175 | 360,687,261 |
| | 1976 | 187,693,626 | 235,813,245 | 12,331,827 | 435,838,698 |

(1) Commencing in 1962 the cost of publishing the directory is offset against the advertising revenues generated by the directory.

(2) The Earnings of Okanagan Telephone Company have been included commencing in 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.

BRITISH COLUMBIA TELEPHONE COMPANY

REVENUE SOURCE BY PERCENTAGE

| <u>Year</u> | <u>Local Service</u> % | <u>Toll Service</u> % | <u>Miscel- laneous</u> % | <u>Total</u> % | <u>Regulated</u> % | <u>Non- Regulated</u> % |
|-------------|-------------------------------|------------------------------|---------------------------------|-------------------|-----------------------|--------------------------------|
| 1955 | 65 | 31 | 4 | 100 | 94 | 6 |
| 1956 | 63 | 32 | 5 | 100 | 93 | 7 |
| 1957 | 62 | 33 | 5 | 100 | 92 | 8 |
| 1958 | 63 | 32 | 5 | 100 | 91 | 9 |
| 1959 | 64 | 32 | 4 | 100 | 92 | 8 |
| 1960 | 63 | 32 | 5 | 100 | 91 | 9 |
| 1961 | 61 | 35 | 4 | 100 | 90 | 10 |
| 1962 | 61 | 37 | 2 | 100 | 90 | 10 |
| 1963 | 59 | 38 | 3 | 100 | 88 | 12 |
| 1964 | 56 | 41 | 3 | 100 | 88 | 12 |
| 1965 | 54 | 44 | 2 | 100 | 88 | 12 |
| 1966 | 53 | 45 | 2 | 100 | 88 | 12 |
| 1967 | 53 | 45 | 2 | 100 | 88 | 12 |
| 1968 | 52 | 46 | 2 | 100 | 88 | 12 |
| 1969 | 50 | 47 | 3 | 100 | 88 | 12 |
| (1) 1970 | 49 | 48 | 3 | 100 | 90 | 10 |
| 1971 | 47 | 50 | 3 | 100 | 94 | 6 |
| 1972 | 47 | 50 | 3 | 100 | 94 | 6 |
| 1973 | 45 | 51 | 4 | 100 | 94 | 6 |
| 1974 | 43 | 54 | 3 | 100 | 94 | 6 |
| 1975 | 43 | 54 | 3 | 100 | 94 | 6 |
| 1976 | 43 | 54 | 3 | 100 | 94 | 6 |

(1) Effective August 1, 1970, an amendment to the Railway Act extended the regulatory jurisdiction of the Canadian Transport Commission to include all communications services provided by the Company.

BRITISH COLUMBIA TELEPHONE COMPANY

TOTAL OPERATING EXPENSES

| <u>Year</u> | <u>Operating</u> | <u>Depreciation</u> | <u>Taxes</u> | <u>T o t a l</u> |
|-------------|------------------|---------------------|--------------|------------------|
| 1955 | \$ 18,964,703 | \$ 4,240,371 | \$ 4,415,029 | \$ 27,620,103 |
| 1956 | 20,899,259 | 4,924,403 | 4,952,409 | 30,776,071 |
| 1957 | 24,130,377 | 5,690,918 | 4,717,924 | 34,539,219 |
| 1958 | 26,718,975 | 7,099,564 | 4,150,627 | 37,969,166 |
| 1959 | 27,598,491 | 8,678,074 | 7,511,759 | 43,788,324 |
| 1960 | 27,915,978 | 9,669,597 | 8,646,520 | 46,232,095 |
| 1961 | 29,739,149 | 11,633,769 | 10,595,041 | 51,967,959 |
| (1) 1962 | 31,930,849 | 13,926,474 | 11,007,277 | 56,864,600 |
| 1963 | 31,296,856 | 15,648,843 | 12,626,051 | 59,571,750 |
| 1964 | 35,715,544 | 18,534,784 | 13,499,062 | 67,749,390 |
| 1965 | 40,593,517 | 21,345,168 | 15,731,012 | 77,669,697 |
| 1966 | 48,559,759 | 22,944,866 | 17,295,826 | 88,800,451 |
| (2) 1967 | 54,412,416 | 26,450,184 | 18,352,306 | 99,214,806 |
| (3) 1968 | 59,165,615 | 28,831,934 | 21,576,845 | 109,574,394 |
| 1969 | 68,630,326 | 32,719,544 | 24,225,316 | 125,575,186 |
| 1970 | 81,579,708 | 34,338,351 | 23,967,321 | 139,885,380 |
| 1971 | 95,808,595 | 38,454,431 | 24,555,914 | 158,818,940 |
| 1972 | 108,007,496 | 43,326,864 | 28,970,862 | 180,305,222 |
| 1973 | 124,209,442 | 49,380,371 | 33,608,167 | 207,197,980 |
| 1974 | 150,151,485 | 56,094,027 | 36,884,841 | 243,130,353 |
| 1975 | 170,733,347 | 65,913,724 | 49,422,436 | 286,069,507 |
| 1976 | 207,878,738 | 83,194,945 | 57,967,369 | 349,041,052 |

- (1) Commencing in 1962 the cost of publishing the directories is offset against the advertising revenues generated by the directories.
- (2) The Expenses of Okanagan Telephone Company have been included commencing in 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.
- (3) Operating Expenses and Taxes for the years 1968 - 1971 have been restated to reflect the change in accounting for accrued vacation pay of employees.

BRITISH COLUMBIA TELEPHONE COMPANY

ANALYSIS OF TAXES

| Year | (1) Provincial, Municipal & Other | T a x e s o n I n c o m e | | | Total | Total Taxes |
|----------|---|-------------------------------|---------------------|--------------|--------------|-------------|
| | | Federal | Provincial Share | | | |
| 1955 | \$ 779,669 | \$ 3,635,360 | \$ - | \$ 3,635,360 | \$ 4,415,029 | |
| 1956 | 823,288 | 4,129,121 | - | 4,129,121 | 4,952,409 | |
| 1957 | 1,084,871 | 3,633,053 | - | 3,633,053 | 4,717,924 | |
| 1958 | 1,292,851 | 2,857,776 | - | 2,857,776 | 4,150,627 | |
| 1959 | 1,492,625 | 6,019,134 | - | 6,019,134 | 7,511,759 | |
| 1960 | 1,988,057 | 6,658,463 | - | 6,658,463 | 8,646,520 | |
| 1961 | 2,326,740 | 8,268,301 | - | 8,268,301 | 10,595,041 | |
| 1962 | 2,324,557 | 8,682,720 | - | 8,682,720 | 11,007,277 | |
| 1963 | 2,568,140 | 8,245,660 | 1,601,250 | 10,057,911 | 12,626,051 | |
| 1964 | 2,834,955 | 8,742,741 | 1,921,366 | 10,664,107 | 13,499,062 | |
| 1965 | 3,217,764 | 10,261,079 | 2,252,169 | 12,513,248 | 15,731,012 | |
| 1966 | 3,934,403 | 10,956,367 | 2,405,056 | 13,361,423 | 17,295,826 | |
| (2) 1967 | 4,862,896 | 10,791,528 | 2,697,882 | 13,489,410 | 18,352,306 | |
| (3) 1968 | 5,595,590 | 12,872,661 | 3,108,594 | 15,981,255 | 21,576,845 | |
| 1969 | 6,297,607 | 14,440,501 | 3,487,208 | 17,927,709 | 24,225,316 | |
| 1970 | 6,995,909 | 13,670,218 | 3,301,194 | 16,971,412 | 23,967,321 | |
| 1971 | 7,683,781 | 13,431,703 | 3,440,430 | 16,872,133 | 24,555,914 | |
| 1972 | 8,848,794 | 15,794,741 | 4,327,326 | 20,122,067 | 28,970,861 | |
| 1973 | 10,512,479 | 17,661,411 | 5,434,277 | 23,095,688 | 33,608,167 | |
| 1974 | 13,669,028 | 16,345,790 | 6,870,023 | 23,215,813 | 36,884,841 | |
| 1975 | 17,693,872 | 23,675,085 | 8,053,479 | 31,728,564 | 49,422,436 | |
| 1976 | 22,064,063 | 25,343,510 | 10,559,796 | 35,903,306 | 57,967,369 | |

(1) Unemployment Insurance and Canada Pension Plan.

(2) The taxes of Okanagan Telephone Company have been included commencing 1967.

(3) Taxes on Income for the years 1968 - 1971 have been restated to reflect the change in accounting for accrued vacation pay of employees.

BRITISH COLUMBIA TELEPHONE COMPANY

DISPOSITION OF EARNINGS AVAILABLE FOR FIXED CHARGES

| Year | Earnings Available for Fixed Charges | Fixed Charges | Earnings Available for Dividends | Dividends on Preference and Preferred Shares | Earnings Available for Ordinary Shares | Dividends on Ordinary Shares | Transferred to Retained Earnings |
|----------|--------------------------------------|---------------|----------------------------------|--|--|------------------------------|----------------------------------|
| 1955 | \$ 5,714,722 | \$ 1,979,528 | \$ 3,735,194 | \$ 1,108,125 | \$ 2,627,069 | \$ 1,600,000 | \$ 1,027,069 |
| 1956 | 6,776,042 | 1,973,509 | 4,802,533 | 1,366,718 | 3,435,815 | 2,100,000 | 1,335,815 |
| 1957 | 7,639,690 | 2,916,665 | 4,723,025 | 1,577,917 | 3,145,108 | 2,400,000 | 745,108 |
| 1958 | 8,081,557 | 3,908,506 | 4,173,071 | 2,105,000 | 2,068,071 | 2,400,000 | (331,929) |
| 1959 | 11,644,046 | 4,971,746 | 6,672,300 | 2,105,000 | 4,567,300 | 3,075,000 | 1,492,300 |
| 1960 | 13,167,637 | 5,921,990 | 7,245,647 | 2,667,500 | 4,578,147 | 3,458,400 | 1,119,747 |
| 1961 | 15,781,068 | 6,988,165 | 8,792,903 | 2,855,000 | 5,937,903 | 4,068,900 | 1,869,003 |
| 1962 | 16,865,287 | 7,382,101 | 9,483,186 | 2,855,000 | 6,628,186 | 4,430,580 | 2,197,606 |
| 1963 | 18,250,436 | 7,322,198 | 10,928,238 | 3,318,500 | 7,609,738 | 5,293,680 | 2,316,058 |
| 1964 | 19,954,964 | 8,026,309 | 11,928,655 | 3,473,000 | 8,455,655 | 5,523,840 | 2,931,815 |
| 1965 | 22,135,487 | 8,431,372 | 13,704,115 | 3,824,000 | 9,880,115 | 5,696,460 | 4,183,655 |
| 1966 | 24,185,026 | 9,349,708 | 14,835,318 | 3,691,000 | 11,144,318 | 6,244,320 | 4,929,998 |
| (1) 1967 | 28,534,854 | 13,200,820 | 15,334,034 | 3,716,424 | 11,617,610 | 6,602,715 | 5,014,895 |
| (2) 1968 | 30,767,089 | 13,974,764 | 16,792,317 | 4,178,567 | 12,673,750 | 6,991,110 | 5,622,640 |
| 1969 | 33,595,397 | 14,739,487 | 18,855,910 | 4,391,431 | 14,464,479 | 8,415,225 | 6,049,254 |
| 1970 | 36,497,271 | 17,687,659 | 18,809,612 | 4,391,127 | 14,418,485 | 8,774,850 | 5,643,635 |
| 1971 | 42,496,580 | 22,287,778 | 20,208,802 | 4,390,487 | 15,818,315 | 9,494,100 | 6,324,215 |
| 1972 | 49,615,312 | 24,755,941 | 24,859,371 | 5,097,703 | 19,761,668 | 10,357,200 | 9,404,468 |
| 1973 | 54,420,669 | 29,854,920 | 24,565,749 | 5,798,340 | 18,767,409 | 10,357,278 | 8,410,131 |
| 1974 | 64,301,376 | 39,341,360 | 24,960,016 | 6,204,120 | 18,755,896 | 14,150,295 | 4,605,601 |
| 1975 | 81,274,295 | 47,365,021 | 34,881,972 | (3) 8,022,881 | 26,859,091 | 15,819,086 | 11,040,005 |
| 1976 | 96,492,204 | 55,775,492 | 40,716,712 | 12,931,220 | 27,785,492 | 18,079,348 | 9,706,144 |

(1) The Earnings of Okanagan Telephone Company have been included commencing in 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.

(2) Earnings for the years 1968 - 1971 have been restated to reflect the change in accounting for accrued vacation pay of employees.

(3) Includes extraordinary item of \$972,698 - interest income on tax refund.

BRITISH COLUMBIA TELEPHONE COMPANY

RATE OF RETURN ON AVERAGE INVESTED CAPITAL

| <u>Year</u> | <u>(1) Average Invested Capital</u> | <u>Earnings Available For Fixed Charges</u> | <u>Rate of Return on Average Invested Capital</u> |
|-------------|---|---|---|
| 1955 | \$ 94,019,152 | \$ 5,714,722 | 6.08% |
| 1956 | 109,157,402 | 6,776,042 | 6.21 |
| 1957 | 139,365,821 | 7,639,690 | 5.48 |
| 1958 | 168,319,561 | 8,081,577 | 4.80 |
| 1959 | 196,259,172 | 11,644,046 | 5.93 |
| 1960 | 225,828,354 | 13,167,637 | 5.83 |
| 1961 | 259,230,493 | 15,781,068 | 6.09 |
| 1962 | 275,191,889 | 16,865,287 | 6.13 |
| 1963 | 294,672,539 | 18,250,436 | 6.19 |
| 1964 | 313,217,149 | 19,954,964 | 6.37 |
| 1965 | 333,938,536 | 22,135,487 | 6.63 |
| 1966 | 365,735,694 | 24,185,026 | 6.61 |
| (2) 1967 | 430,218,641 | 28,534,854 | 6.63 |
| (3) 1968 | 450,985,656 | 30,767,081 | 6.82 |
| 1969 | 478,444,009 | 33,595,397 | 7.02 |
| 1970 | 522,045,729 | 36,497,271 | 6.99 |
| 1971 | 577,455,458 | 42,496,580 | 7.36 |
| 1972 | 634,417,005 | 49,615,312 | 7.82 |
| (2) 1973 | 704,182,215 | 54,420,669 | 7.73 |
| 1974 | 816,802,000 | 64,301,376 | 7.87 |
| 1975 | 942,779,318 | 81,274,295 | 8.62 |
| 1976 | 1,080,247,922 | 96,492,204 | 8.93 |

- (1) Average invested capital includes capital stock, premium, retained earnings, long term debt and demand loans. The average is computed as the average of 12 monthly averages, using beginning and end of month figures.
- (2) The Earnings of Okanagan Telephone Company have been included commencing in 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.
- (3) Rate of Return for the years 1968 - 1971 have been restated to reflect the change in accounting for accrued vacation pay of employees.

BRITISH COLUMBIA TELEPHONE COMPANY

GROSS ADDITIONS TO PLANT

| <u>Y e a r</u> | <u>Gross Additions to Plant</u> |
|----------------|-------------------------------------|
| 1955 | \$ 21,254,856 |
| 1956 | 27,693,592 |
| 1957 | 40,818,023 |
| 1958 | 51,748,654 |
| 1959 | 40,947,467 |
| 1960 | 35,631,704 |
| 1961 | 30,801,282 |
| 1962 | 37,545,012 |
| 1963 | 35,891,660 |
| 1964 | 39,272,387 |
| 1965 | 47,983,765 |
| 1966 | 60,681,708 |
| (1) 1967 | 68,430,995 |
| 1968 | 70,802,171 |
| 1969 | 74,666,431 |
| 1970 | 95,111,177 |
| 1971 | 113,106,126 |
| 1972 | 132,405,478 |
| (2) 1973 | 165,272,455 |
| 1974 | 201,484,000 |
| 1975 | 233,256,000 |
| 1976 | 301,385,000 |

(1) The Gross Additions of Okanagan Telephone Company have been included commencing 1967.

(2) The Gross Additions of Canadian Telephones and Supplies have been included, commencing June 1, 1973.

BRITISH COLUMBIA TELEPHONE COMPANY

GROSS TELEPHONE PLANT

| <u>December 31</u> | <u>Gross Telephone Plant</u> |
|--------------------|------------------------------|
| 1955 | \$ 120,330,786 |
| 1956 | 141,657,107 |
| 1957 | 176,758,724 |
| 1958 | 217,951,682 |
| 1959 | 243,690,783 |
| 1960 | 265,129,882 |
| 1961 | 308,366,305 |
| 1962 | 335,865,487 |
| 1963 | 362,955,276 |
| 1964 | 393,360,679 |
| 1965 | 429,966,904 |
| 1966 | 480,762,018 |
| (1) 1967 | 559,922,422 |
| (2) 1968 | 619,528,106 |
| 1969 | 682,394,453 |
| 1970 | 760,338,402 |
| 1971 | 854,645,308 |
| 1972 | 961,490,386 |
| (1) 1973 | 1,105,166,498 |
| 1974 | 1,277,588,000 |
| 1975 | 1,473,731,000 |
| 1976 | 1,727,567,000 |

- (1) The Gross Telephone Plant of Okanagan Telephone Company has been included commencing in 1967, and of Canadian Telephones and Supplies, commencing June 1, 1973.
- (2) Gross Telephone Plant in the years 1968 - 1971 has been restated to reflect the capitalized portion of accrued vacation pay of employees, resulting from a change in accounting policy.

BRITISH COLUMBIA TELEPHONE COMPANY

GROSS INVESTMENT PER TELEPHONE
(Year-end)

| <u>Year</u> | <u>Gross Investment per Telephone (Year-end)</u> |
|-------------|--|
| 1955 | 324 |
| 1956 | 344 |
| 1957 | 391 |
| 1958 | 453 |
| 1959 | 482 |
| 1960 | 507 |
| 1961 | 543 |
| 1962 | 565 |
| 1963 | 581 |
| 1964 | 595 |
| 1965 | 606 |
| 1966 | 632 |
| (1) 1967 | 654 |
| (2) 1968 | 678 |
| 1969 | 700 |
| 1970 | 733 |
| 1971 | 777 |
| 1972 | 815 |
| (1) 1973 | 862 |
| 1974 | 924 |
| 1975 | 1000 |
| 1976 | 1033 |

- (1) The Gross Investment and telephones of Okanagan Telephone Company have been included commencing 1967, and of Canadian Telephones and Supplies commencing the effective date of acquisition - June 1, 1973.
- (2) The Gross Investment in the years 1968 - 1971 has been restated to reflect the capitalized portion of accrued vacation pay of employees, resulting from a change in accounting policy.

BRITISH COLUMBIA TELEPHONE COMPANY

EMPLOYEE SUMMARY
(Not including Subsidiary Companies)

| <u>Year</u> | <u>Number of Employees at December 31</u> | <u>Total Annual Payroll</u> | <u>Average Annual Payroll Per Employee</u> |
|-------------|---|-------------------------------------|--|
| 1955 | 5,645 | \$ 16,762,405 | \$ 2,918 |
| 1956 | 6,080 | 18,369,471 | 3,133 |
| 1957 | 7,130 | 21,525,011 | 3,259 |
| 1958 | 6,878 | 24,742,215 | 3,533 |
| 1959 | 6,205 | 25,219,406 | 3,855 |
| 1960 | 5,646 | 24,842,661 | 4,192 |
| 1961 | 5,511 | 25,828,367 | 4,630 |
| 1962 | 5,330 | 27,011,666 | 4,983 |
| 1963 | 5,423 | 27,875,720 | 5,184 |
| 1964 | 5,696 | 30,785,133 | 5,537 |
| 1965 | 6,337 | 35,568,260 | 5,911 |
| 1966 | 7,243 | 42,004,499 | 6,186 |
| 1967 | 7,182 | 46,152,298 | 6,398 |
| 1968 | 7,559 | 50,960,249 | 6,914 |
| 1969 | 8,405 | 57,773,505 | 7,238 |
| 1970 | 9,146 | 70,705,263 | 8,057 |
| 1971 | 9,753 | 84,498,708 | 8,942 |
| 1972 | 10,258 | 98,045,495 | 9,799 |
| 1973 | 11,632 | 114,903,260 | 9,878 |
| 1974 | 12,315 | 139,427,374 | 11,322 |
| 1975 | 11,317 | 156,297,291 | 13,811 |
| 1976 | 11,731 | 184,504,982 | 15,728 |

BRITISH COLUMBIA TELEPHONE COMPANY

| |
|--|
| 1976 EMPLOYEE SUMMARY - BY DIVISION Number of Employees and Payroll |
|--|

| <u>D i v i s i o n</u> | <u>December 31</u> <u>1 9 7 6</u> | <u>Payroll</u> <u>1 9 7 6</u> |
|--|--------------------------------------|----------------------------------|
| <u>Coastal Area</u> | <u>5,090</u> | \$ 76,506,756 |
| Coastal Area Traffic | 1,261 | 14,188,502 |
| Coastal Area Customer Service (including Exchange Operations, Installation Operations, Service Centres, Plant & Commercial) | 2,821 | 42,860,712 |
| Coastal Area Toll & Coin Telephone Operations | 185 | 4,070,401 |
| Coastal Area Construction | 399 | 7,292,071 |
| Coastal Area Outside Plant, Engineering, Administration and Operations | 424 | 8,095,070 |
| <u>Island Division</u> | <u>1,507</u> | \$ 24,544,123 |
| Division Traffic | 368 | 4,289,758 |
| Division Customer Service (including Customer Service Plant) | 539 | 8,956,889 |
| Division Plant and Construction | 433 | 8,257,820 |
| Division Engineering, Administration and Public Affairs | 167 | 3,039,656 |
| <u>Interior Division</u> | <u>1,226</u> | \$ 20,237,675 |
| Division Traffic | 293 | 3,344,594 |
| Division Customer Service | 366 | 6,156,731 |
| Division Plant and Construction | 394 | 8,014,436 |
| Administration, Engineering, Public Affairs and Program Centre | 173 | 2,721,914 |
| <u>Northern Division</u> | <u>1,009</u> | \$ 15,783,184 |
| Division Traffic | 254 | 2,937,805 |
| (Prince George District) | 269 | 4,350,250 |
| (Terrace District) <u>Note 1</u> | 143 | 2,401,162 |
| (Peace River District) | 98 | 1,701,900 |
| Administration, Engineering, Construction, Public Affairs and Vehicle | 245 | 4,392,067 |
| Staff Departments <u>Note 2</u> | <u>2,899</u> | \$ 47,433,244 |
| <u>TOTAL COMPANY</u> | <u>11,731</u> ===== | <u>\$184,504,982</u> ===== |

Note 1: Administration for these Districts is included in Northern Division Administration.

Note 2: Includes Supply, Transportation and Buildings Operations and Network Operations.

BRITISH COLUMBIA TELEPHONE COMPANY

TELEPHONES IN SERVICE

| <u>Year</u> | <u>Total Telephones in Service at December 31</u> | <u>Percentage Increase</u> | <u>Percentage of Total Telephones Under Dial Operation</u> | <u>Percentage of Total Telephones with Direct Distance Dialing Facilities</u> |
|-------------|---|--------------------------------|--|---|
| 1955 | 371,042 | 8.0 | 55.6 | |
| 1956 | 412,135 | 11.0 | 64.0 | |
| 1957 | 452,157 | 9.7 | 67.1 | |
| 1958 | 480,707 | 6.3 | 71.4 | |
| 1959 | 505,432 | 5.1 | 79.4 | |
| 1960 | 522,780 | 3.4 | 87.4 | |
| 1961 | 568,022 | 8.7 | 90.4 | 54.1 |
| 1962 | 594,292 | 4.6 | 96.9 | 67.3 |
| 1963 | 625,103 | 5.2 | 97.7 | 68.4 |
| 1964 | 661,708 | 5.5 | 98.3 | 70.1 |
| 1965 | 709,564 | 7.2 | 98.6 | 72.7 |
| 1966 | 761,129 | 7.3 | 98.7 | 72.2 |
| 1967 | 813,063 | 6.8 | 99.0 | 74.8 |
| 1968 | 867,880 | 6.7 | 99.6 | 87.5 |
| 1969 | 924,122 | 6.5 | 99.7 | 88.7 |
| 1970 | 982,503 | 6.3 | 99.7 | 91.6 |
| 1971 | 1,039,249 | 5.8 | 99.7 | 91.2 |
| 1972 | 1,113,563 | 7.2 | 99.7 | 92.0 |
| 1973 | 1,208,963 | 8.6 | 99.7 | 94.0 |
| 1974 | 1,298,922 | 7.4 | 99.7 | 99.6 |
| 1975 | 1,379,429 | 6.2 | 99.7 | 99.6 |
| 1976 | 1,440,482 | 4.4 | 99.7 | 99.6 |

BRITISH COLUMBIA TELEPHONE COMPANY

TELEPHONES IN SERVICE (CONT'D)

| <u>December 31</u> | <u>Total Stations</u> | <u>Business</u> | | <u>Residence</u> | |
|--------------------|-----------------------|-----------------|----------|------------------|----------|
| | | <u>Stations</u> | <u>%</u> | <u>Stations</u> | <u>%</u> |
| 1955 | 371,042 | 112,731 | 30.4 | 258,311 | 69.6 |
| 1956 | 412,135 | 123,131 | 29.9 | 289,004 | 70.1 |
| 1957 | 452,157 | 132,813 | 29.4 | 319,334 | 70.6 |
| 1958 | 480,707 | 138,666 | 28.8 | 342,041 | 71.2 |
| 1959 | 505,432 | 145,101 | 28.7 | 360,331 | 71.3 |
| 1960 | 522,780 | 148,657 | 28.4 | 374,123 | 71.6 |
| 1961 | 568,022 | 162,566 | 28.6 | 405,456 | 71.4 |
| 1962 | 594,292 | 168,095 | 28.3 | 426,197 | 71.7 |
| 1963 | 625,103 | 175,510 | 28.1 | 449,593 | 71.9 |
| 1964 | 661,708 | 186,476 | 28.2 | 475,232 | 71.8 |
| 1965 | 709,564 | 199,878 | 28.2 | 509,686 | 71.8 |
| 1966 | 761,129 | 214,795 | 28.2 | 546,334 | 71.8 |
| 1967 | 813,063 | 229,805 | 28.3 | 583,258 | 71.7 |
| 1968 | 867,880 | 244,677 | 28.2 | 623,203 | 71.8 |
| 1969 | 924,122 | 264,280 | 28.6 | 659,842 | 71.4 |
| 1970 | 982,503 | 281,829 | 28.7 | 700,674 | 71.3 |
| 1971 | 1,039,249 | 297,689 | 28.6 | 741,560 | 71.4 |
| 1972 | 1,113,563 | 318,033 | 28.6 | 795,530 | 71.4 |
| 1973 | 1,208,963 | 349,906 | 28.9 | 859,057 | 71.1 |
| 1974 | 1,298,922 | 380,330 | 29.3 | 918,592 | 70.7 |
| 1975 | 1,379,429 | 406,940 | 29.5 | 972,489 | 70.5 |
| 1976 | 1,440,482 | 425,503 | 29.5 | 1,014,979 | 70.5 |

BRITISH COLUMBIA TELEPHONE COMPANY

TELEPHONE DEVELOPMENT SUMMARY

| <u>Telephones per 100 Population</u> | | |
|--------------------------------------|---|---------------|
| <u>Year</u> | <u>B.C. Tel</u> (exclusive of O.K. Tel) | <u>Canada</u> |
| 1960 | 35.9 | 31.7 |
| 1961 | 36.6 | 32.6 |
| 1962 | 37.6 | 33.7 |
| 1963 | 38.6 | 34.8 |
| 1964 | 39.8 | 36.0 |
| 1965 | 41.2 | 37.5 |
| 1966 | 42.5 | 39.0 |
| 1967 | 44.0 | 40.5 |
| 1968 | 45.7 | 42.1 |
| 1969 | 47.3 | 43.7 |
| 1970 | 48.9 | 45.2 |
| 1971 | 50.4 | 47.3 |
| 1972 | 52.5 | 50.0 |
| 1973 | 55.3 | 52.3 |
| 1974 | 57.8 | 55.0 |
| 1975 | 60.3 | 57.3 |
| 1976 | 63.1 | 59.5 |

BRITISH COLUMBIA TELEPHONE COMPANY

TELEPHONE TRAFFIC VOLUME

| <u>Year</u> | <u>Local Calls Daily Average</u> | <u>Toll Calls Completed Daily Average</u> |
|-------------|--------------------------------------|---|
| 1955 | 1,905,000 | 35,000 |
| 1956 | 2,436,000 | 40,000 |
| 1957 | 2,701,000 | 45,000 |
| 1958 | 2,929,000 | 47,000 |
| 1959 | 3,130,000 | 48,000 |
| 1960 | 3,247,000 | 51,000 |
| 1961 | 3,565,000 | 57,000 |
| 1962 | 3,374,000 | 58,000 |
| 1963 | 3,647,000 | 59,000 |
| 1964 | 3,981,000 | 66,000 |
| 1965 | 4,391,000 | 76,000 |
| 1966 | 4,834,000 | 85,000 |
| 1967 | 5,107,000 | 86,000 |
| 1968 | 5,349,000 | 92,000 |
| 1969 | 5,815,000 | 111,000 |
| 1970 | 6,032,000 | 125,000 |
| 1971 | 6,798,000 | 147,000 |
| 1972 | 7,039,000 | 156,000 |
| 1973 | 7,495,000 | 179,000 |
| 1974 | 8,267,000 | 226,000 |
| 1975 | 8,313,000 | 255,000 |
| 1976 | 8,395,000 | 289,000 |

BRITISH COLUMBIA TELEPHONE COMPANY

RADIO DEVELOPMENT

The mountainous terrain of British Columbia presents many obstacles to construction of land line telephone transmission facilities. This fact has contributed to B.C. Tel's leadership in development of radio facilities to provide telephone circuits throughout the province.

The first radio link was installed in 1929 between Campbell River and Powell River, a distance of 40 miles. A network of single channel radio systems gradually became established to provide communications to coastal communities between Vancouver and Prince Rupert. But it was not until the 1950's that multi-channel radio systems became available and began to overshadow traditional open-wire circuits.

* * *

In late 1957 B.C. Tel's first heavy-route microwave system was placed into service. This system, known as the Trans-Canada TD2, provided more reliable inter-Provincial circuits and carried the CBC television network between B. C. and eastern Canada. Since 1957, this initial microwave system has expanded into a comprehensive network serving nearly all of the larger communities in the Province. Today the Company operates about 8900 route miles of toll radio relay systems, with capacities ranging up to 1320 voice circuits per radio channel.

These radio systems - Microwave, Ultra-High Frequency (including Tropospheric Scatter), and Very High Frequency - provide circuits for local and long distance telephone services, national defence systems, data and faxcom, teletypewriter exchange services (TWX), and many other facilities. The CBC and CTV television networks are also extended to many centers in B. C. over the B.C. Tel network, and the CBC radio program distribution system is provided and maintained by B.C. Tel.

Radio Development - Continued

In 1970, B.C. Tel completed a second microwave route, the Northern Inter-Provincial Radio System, linking B. C. with the rest of Canada. This new route met expanding growth requirements and provided route diversity for inter-Provincial circuits. In 1972 B.C. Tel also completed a microwave link between Vancouver and the two satellite earth stations at Lake Cowichan, carrying the voice, data and television traffic to be transmitted via satellite between Lake Cowichan and Eastern Canada or the many countries on the Pacific Rim served by the Intelsat System.

In 1974, B.C. Tel initiated the first phase of a CATV microwave network. This network carried two CATV channels from a head-end site at Haney to CATV operators at Vernon and Kamloops. Since this time CATV microwave facilities have been extended to 100 Mile House, Williams Lake, Quesnel, Prince George, Terrace, Kitimat and Prince Rupert. In addition, a third CATV channel has been added as far north as Prince Rupert. In 1976, provision of CATV facilities via satellite service was initiated to Ocean Falls. It is proposed to extend network CATV service to Merritt, Penticton, Kelowna and Hope during 1977.

* * *

B.C. Tel operates one of the largest public mobile radiotelephone networks in North America, consisting of 13 operating centers and 174 radio terminals. These facilities serve 700 fixed stations, 6600 land mobile radiotelephone subscribers in B. C. and 4000 vessels on the B. C. coast on bands in the Medium Frequency, High Frequency, Very High Frequency and Ultra High Frequency spectrum. Radio-telephone service is available on all major highways in B. C. through the Very High Frequency FM network.

* * *

| |
|-------------------------------|
| Radio Development - Continued |
|-------------------------------|

An operational eight channel automatic uhf land mobile system was placed in service at Vancouver during December, 1976. This pilot system, which has an initial capacity of 200 heavy traffic users, is intended to provide the design information and hands-on experience necessary to upgrade all vhf/uhf services to automatic operation in the future.

* * *

The tone paging system first introduced at Vancouver, Victoria, Kamloops and Prince George in 1968 is being developed to handle binary digital signaling formats as part of a major paging system upgrade. This type of signaling will permit future pager cost reduction and pave the way for the number-to-call pagers to be added to the system when they become available. Plans also exist to extend this service to some twenty additional communities during the next five years.

OKANAGAN TELEPHONE COMPANY

Okanagan Telephone Company, incorporated on April 25, 1907, serves a fast-growing area from Mica Creek in the north to Penticton and Okanagan Falls in the south. This encompasses the whole of the famed fruit-growing Okanagan Valley in south-central British Columbia.

The company has 21 central offices in 16 exchanges including such communities as Vernon, Salmon Arm, Revelstoke, Kelowna and Summerland.

The largest telephone exchange is Kelowna followed by Vernon and Penticton. Smallest exchange is Oyama.

* * *

During 1976, the Okanagan Telephone Company carried out a \$22,900,000 construction program and by the end of the year had 102,828 telephones connected, an increase of 9,074 in the 12-month period.

The company initiated automatic service in 1951 at Oyama and Winfield, and completed the program of converting its entire system to dial in 1959. Direct Distance Dialing came to the area in 1960 when automatic toll ticketing equipment was installed at Penticton, Kelowna, Vernon and Salmon Arm to permit station-to-station long distance calls to be customer dialed.

The first use of electronic switching equipment in the Okanagan Telephone Company's territory was at Winfield when that exchange was converted on June 14, 1971.

Okanagan Telephone Company employees numbered 796 at the end of 1976.

December 31, 1976

CANADIAN TELEPHONES AND SUPPLIES LTD.

*Canadian Telephones and Supplies Ltd.
(CT&S) handles installation, rearrangement and removal of central office and large PABX equipment, and fabricates and repairs wood and iron products.*

The company provides services for B. C. Telephone Company and other communications companies throughout Canada and around the world. About 15 per cent of the CT&S work force of 1,213 persons provides services for telephone companies other than B.C. Tel.

* * *

CT&S moved to Burnaby in 1960 and in 1961 B.C. Tel took over all purchasing and warehousing functions formerly handled by CT&S.

* * *

B.C. Tel bought all of the outstanding shares of CT&S from Anglo-Canadian Telephone Company in 1973 and CT&S now operates as a wholly-owned subsidiary of B.C. Tel.

BRITISH COLUMBIA TELEPHONE COMPANY

G L O S S A R YTELEPHONE ABBREVIATIONS

| | |
|--------------|--|
| AAU | Automatic Answering Unit |
| AARU | Automatic Answering & Recording Unit |
| ACD | Automatic Call Distribution |
| ADU | Automatic Dialing Unit |
| AIOD | Automatic Identification on Outward Dialing (CENTREX only) |
| AKT | Automatic Key Telephone |
| AM | Amplitude Modulation |
| AMA | Automatic Message Accounting |
| ANC | All Number Calling |
| ANI | Automatic Number Identification |
| ANIK | Telesat Canada's Domestic Satellites |
| ATB | All Trunks Busy |
| B or BUS | Business Service |
| BAR | Business Account Representative |
| BCT or BRICO | B. C. Telephone Company |
| BIS | Business Information Systems (see also MIS) |
| BMEWS | Ballistic Missile Early Warning System |
| BRA | Base Rate Area |
| BY | Busy |

| | |
|---------|--|
| CAMA | Centralized Automatic Message Accounting |
| CAS | Call Answering Service |
| CATV | Community Antenna Television |
| CAX | Community Automatic Exchange |
| C-1 EAX | Canadian Model #1 of Electronic Automatic Exchange |
| CB | Common Battery |
| CCS | 100 Call Seconds (a traffic measurement unit) |
| CCTV | Closed Circuit Television |
| CI | Concentrator Identifier |
| CO | Central Office or Chief Operator |
| COTC | Canadian Overseas Telecommunication Corporation (now Teleglobe Canada) |
| CPE | Customer-Provided Equipment |
| CRB | Customer Records and Billing |
| CRTC | Canadian Radio-television and Telecommunications Commission |
| CT | Coin Telephone |
| CTCA | Canadian Telecommunications Carriers Association |
| CT&S | Canadian Telephones & Supplies Ltd. |
| CX | CENTREX |
| CXL | CENTREX Extra Listing |

G l o s s a r y

Telephone Abbreviations

| | | | |
|-------|---|----------|--|
| DA | Doesn't Answer or Directory Assistance (depending on context) | 4A X BAR | 4A Crossbar Toll Switching Machine |
| DAK | Denies All Knowledge (re items billed) | FCO | Foreign Central Office |
| DB | Decibel | FM | Frequency Modulation |
| DDD | Direct Distance Dialing | FTW | Federation of Telephone Workers |
| DIR | Directory | FW-1 | Four Wire Model #1 (Swbd.) |
| DM | Desk Monophone | FX | Foreign Exchange |
| DN | Directory Number (phone number) | HF | High Frequency |
| DP | Drop | HM | Hang-up Monophone |
| DSI | Dial Selective Intercom | | |
| DXL | Delayed Extra Listing | IDDD | International Direct Distance Dialing |
| EAS | Extended Area Service | IDF | Intermediate Distributing Frame |
| EAX | Electronic Automatic Exchange | In-WATS | Wide Area Telephone Service for Incoming Calls |
| ECC | Electronic Common Control | IX | Interexchange |
| EDDD | Expanded Direct Distance Dialing | KIL | Key-in-lieu (of telephone) |
| EDP | Electronic Data Processing | | |
| EM | Emergency Call | LAMA | Local Automatic Message Accounting |
| EPABX | Electronic Private Automatic Branch Exchange | LD | Long Distance |
| ESS | Electronic Switching System | LLC | Line Load Control |
| ETV | Educational Television | LS | Loudspeaker |
| EXCH | Exchange | LW | Leased Wire |

G l o s s a r y

Telephone Abbreviations

| | |
|----------|---|
| MAG | Magneto |
| MAP | Market Assignment Plan |
| MDA | Market Development Area |
| MDF | Main Distributing Frame |
| MIL | Mileage |
| MIS | Management Information Systems |
| MKT | Market or Marketing |
| MSDS | Message Switching Data Service |
| MULTICOM | High Speed Data Transmission Service |
| NIPRS | Northern Inter-Provincial Radio System |
| NO | Number |
| NO CHG | No Charge |
| NPA | Numbering Plan Area (for DDD) |
| NTWK | Network |
| OB | Outdoor Booth |
| ONI | Operator Number Identification |
| OP | Off-premises or Outside Plant |
| OPX | Off-premises Extension |
| OUT-WATS | Wide Area Telephone Service for Outgoing Calls |

| | |
|----------|---------------------------------------|
| PABX | Private Automatic Branch Exchange |
| PAX | Private Automatic Exchange |
| PB | Party Business |
| PBX | Private Branch Exchange |
| PCM | Pulse Code Modulation |
| PIP | Performance Improvement Program |
| PL | Primary Listing or Private Line |
| PN | Program Transmission (Network IX) |
| PP | Private Property |
| PSRT | Public Service Radio Terminal |
| PT | Program Transmission (Local) |
| PUB | Public or Public Telephone Service |
| R or RES | Residence Service |
| RC | Radio Control Circuit |
| R/W | Right of Way |
| RX | Residence Extension |
| RXL | Residence Extra Listing |

G l o s s a r y

Telephone Abbreviations

| | |
|----------|---|
| SAGE | Semi-Automatic Ground Environment |
| SAL | Study Area Location |
| SATT | Strowger Automatic Toll Ticketing |
| SAU | Secretarial Answering Unit |
| SC | Signal Circuit |
| SCC | Service Connection Charge |
| SCCS | Software Controlled Communication Service |
| SCO | Serving Central Office |
| SERV SEC | Service Section |
| SR | Service Representative |
| SRN | Siren Circuit |
| SS | Suspension of Service |
| SSB | Single Sideband (Radio) |
| ST&B | Supply, Transportation & Buildings Department |
| STN | Station |
| SUB | Subscriber |
| SWBD | Switchboard |
| SxS | Step-by-Step |
| T&C | Time and Charges |
| TACS | Telephone Alarm Control System |
| TC | TOUCH CALLING |
| TCTS | Trans-Canada Telephone System |
| TD | Temporary Disconnection |

| | |
|--------|--|
| TELPAC | A Service re the Leasing of Wideband Channels between two or more points |
| TEOP | Traffic Engineering Outline of Plan |
| TESAC | Telephone Employees Social and Athletic Club |
| TP | Telephoto or Teleprocessing // |
| TS | Toll Station |
| TSPS | Traffic Service Position System |
| TT | Toll Terminal |
| TTRK | Tie Trunk |
| TTY | Teletype |
| TWX | Teletypewriter Exchange Service |
| U/G | Underground |
| UHF | Ultra-High Frequency |
| VC | Verification Call |
| VF | Voice Frequency |
| VHF | Very High Frequency |
| VID | Video |
| VN | Video Network |
| VO | Voice Operated |
| VT | Video, Local |

G l o s s a r y

Telephone Abbreviations

| | |
|--------|--|
| TVS-VU | Video Pickup |
| TVS-VS | Video Transmission Service |
| W | Wall |
| WATS | Wide Area Telephone Service |
| WP | Wiring Plan or Weatherproof |
| XL | Extra Listing |
| ZENITH | A Special Form of Reversed Charge Calling |

BRITISH COLUMBIA TELEPHONE COMPANY

G L O S S A R Y

TELEPHONE TERMS

Access Code (or Access Digit)

One or more numbers dialed to gain access to a separate group of lines; for example, dialing 9 for outside on a PABX: or dialing 112 to be connected to the DDD long distance equipment.

Acoustic Monophone

A telephone handset equipped with an adjustable volume control to amplify reception for hard-of-hearing users or for noisy locations.

Airline Measurement

The shortest distance between two points.

Bit

The smallest unit of information that can be transmitted. Often used to express rate or volume of information sent, e.g., "bits per second".

Base Rate Area

The area within which individual and two-party main station exchange services are furnished at basic monthly rates without the application of exchange line mileage charges.

Central Office

One or more central office units, at the same location, serving a common area.

Central Office Area

The area served by a single central office.

Central Office Unit

An assembly of equipment arranged for interconnecting customers' lines and trunks for providing telephone communication between customers in a given group, and for furnishing access for these customers to other such units and to the long distance facilities of the Company. Has its own 3-digit prefix; e.g. - 521 and 522 are each C.O. units in the New Westminster central office.

CENTREX

Service providing the features of a PABX plus direct inward dialing to stations, and itemized toll billing to stations. The CENTREX is assigned a distinct central office code, and made a part of the numbering plan. A main listed number gives access to the CENTREX operator, but callers are encouraged to dial direct to stations.

Circuit

The name applied to a wire or pair of wires over which telephone service is furnished. The former is termed a "grounded" circuit and the latter, a "metallic" circuit.

Circuit Measurement

The measurement upon which is based a charge for the use of part or all of a circuit furnished by the Company.

G l o s s a r y

Telephone Terms

Coin Telephone

(See Public Telephone and Semi-Public Telephone.)

Common Battery Service

The type of telephone service where the electrical energy for talking and signalling is supplied from a central point. Virtually all telephone service is now powered from the central exchange. The term "Common Battery Service" also used to denote non-dial service where callers gave their numbers to a local operator.

Connecting Company

A corporation, association, firm or individual owning and operating a toll line or one or more central offices with which telephone traffic is interchanged.

Construction Charge

A charge billed to a customer based upon the cost of labor and material where unusual costs are involved in the establishment of the service.

DATACOM

Data Communications.

Direct Distance Dialing

Customer-dialing of long distance calls without the aid of an operator.

Directory Listing

A customer's name, address and telephone number published in the Company's telephone directory.

Emergency Calls

Calls put through in any exchange in case of fire or accident or other emergency when assistance is quickly and urgently required.

Emergency Service

Service supplied out of regular hours at exchanges where continuous service is not provided.

ENTERPHONE

A door-answering intercom system.

Exchange

A basic unit for the administration of telephone service. An exchange serves a community that normally has a city, town or village as its center and often includes outlying rural districts. An exchange can consist of one or more central offices.

Exchange Area

One or more central office areas within which exchange rates apply.

Exchange Line Mileage

A charge made for the additional distance to customers' premises who are located outside the base rate area.

G l o s s a r y

Telephone Terms

Exchange Service

The telephone service provided within an exchange area, including connection to the nearest toll switchboard.

Exchange Station

A telephone station furnished under a contract for exchange service.

Exchange Trunk

A circuit connecting a private branch exchange switchboard with a central office.

Extended Area Service

Interexchange telephone service furnished between two or more exchange areas at flat or measured exchange service rates. The service may be introduced by the Company on a non-optional basis subject to its acceptance by a majority of the customers involved under the extended area service plan.

Extended Service Area

The area comprising one or more exchange areas, defined under an extended area service.

Extension Bell

An auxiliary bell separate from the station bells, but connected to the same circuit and operated in conjunction therewith.

Extension Circuit

A circuit connecting an extension station with a main station, or a private branch exchange station with a private branch exchange switchboard.

Extension Line Mileage

The air line measurement of an extension circuit for which a charge¹¹ is made.

Extension Station

An additional station connected to the same circuit as the main station and subsidiary thereto.

Flat Service Rate

A class of exchange service furnished to a customer for which a charge is made irrespective of the extent of use, as distinguished from measured rate service.

Foreign Exchange Mileage

The air line measurement for the interexchange facilities required to provide foreign exchange service.

Foreign Exchange Service

A flat rate message toll service. The subscriber is furnished with an individual line exchange telephone or PBX trunk from an exchange which does not normally serve the area in which the subscriber is located.

G l o s s a r y

Telephone Terms

Free Calling Area

An exchange area or a group of exchange areas wherein calls between stations are not subject to toll charges.

Individual Line Service

A class of exchange service which provides for only one main station per circuit.

Inside Station

A private branch exchange station or extension station located on the same premises as the private branch exchange switchboard or main station to which it is connected.

Installation Charge

A charge based on the cost of processing the order and the actual cost of labor and material involved in the installation of interior wiring and certain types of equipment.

In-WATS

Service which allows customers in a given zone to place free direct dialed calls to a distant subscriber where toll charges would normally apply; the In-WATS subscriber pays a measured rate so that his callers do not have to pay for their calls to him.

Jack

A fixed socket designed to permit the establishment of a telephone connection by means of a plug-ended cord.

Key

A switch used for connecting or disconnecting a station, bell or circuit.

Line

A name often used when referring to a wire or the pair of wires over which any type of telephone service is supplied.

Local

A term sometimes used to denote a private branch exchange station.

Locality Rate Area

A community located within an exchange area, but not included in the base rate area, where, because of its concentrated telephone development and the demand for urban grades of service, a commuted mileage charge applies in lieu of the regular exchange line mileage charge on individual and two-party line services.

Long Distance

Telephone calls to points beyond a local free-calling area, for which toll charges apply.

Loop

The closed path in an electrical circuit. A subscriber's loop. The pair of wires from a central office out to the subscriber's telephone.

G l o s s a r y

Telephone Terms

Magnetophone Service

The type of service which requires the use of a hand generator at the customer's station in order to signal the operator, and a local battery to provide the talking current.

Main Station

A station directly connected with a central office by means of an individual or party line circuit. Also called Primary Service. It has its own separate telephone number.

Measured Rate Service

A class of exchange service which is charged for wholly or in part on the basis of extent of use, and for which a coin collecting device is not required.

Metropolitan Area

A large community or group of communities served by one or more exchanges and/or central offices.

Mileage

The measurement upon which is based a charge for the use of part or all of a circuit furnished by the Company.

Mileage Center

The point in each central office area from which multi-party exchange mileage is measured and which is used in the calculation of extension line mileage charges.

Miscellaneous Equipment

Auxiliary equipment furnished in addition and subsidiary to facilities provided in conjunction with primary exchange service.

MULTICOM

High speed data transmission service (2400 to 50,000 bits per second). ✓

Multiline Service

A telephone system for customers who require access to more than one line, where the telephone sets have a row of push buttons, one button for each line, and also provision for "holding" lines that have calls waiting.

Multi-office Exchange

An exchange served by two or more central offices.

Off-premises Station

A private branch exchange station or extension station located on premises separate from the private branch exchange switchboard or main station to which it is connected.

Out-WATS

A line enabling a subscriber to dial DDD calls to a given zone on a flat or measured bulk rate, rather than being charged individually for each DDD call.

G l o s s a r y

Telephone Terms

Overline Service

Two or more lines with a single "pilot" number. When the pilot number is dialed, if it is busy, the call automatically goes over to the next line (s) in the group until it finds an idle line. This service was formerly called "consecutive number" service because in a step office the lines in an overline group were consecutive. In an electronic office, overline numbers are not consecutive.

Party-line Service

A class of shared exchange service which provides that more than one main station may be served by the same circuit.

Plant

All the physical apparatus used to carry telephone calls; wires, poles, switchboards, exchanges, microwave systems, etc. Also the name of the department that builds and maintains the plant.

Portable Telephone

A telephone equipped with a plug-ended cord, providing a detachable connection with a line terminating in a jack or jacks.

Private Branch Exchange System

An arrangement of equipment consisting of a group of telephone stations connected with a switchboard or other switching device providing for telephone communication between the stations. By means of trunks, communication is also provided with the central office.

The following classes are available:

Automatic System (PABX)

A private branch exchange system using a dial controlled switching unit to provide intercommunication and outgoing service, also equipped with an attendant's position for receiving and distributing incoming calls. The system is usually termed a private automatic branch exchange (PABX).

Cordless Switchboard System

A system employing a switchboard through which connections are made by means of keys.

Cord Multiple Switchboard System

A system employing a switchboard through which connections are made by plug-ended cords, but having more than one appearance of trunk and station jacks.

Cord Nonmultiple Switchboard System

A system employing a switchboard through which connections are made by plug-ended cords and having only one appearance of trunk and station jacks.

G l o s s a r y

Telephone Terms

Private Branch Exchange System (Cont'd)

Circuits, equipment and facilities ordinarily furnished in connection with private branch exchange service include the following:

Attendant Switchboard Position

A switchboard position required for the handling of incoming calls for a private automatic branch exchange.

Attendant Trunk

A circuit connecting the mechanical switching equipment with the attendant position of a private automatic branch exchange.

Private Branch Exchange Station

A station connected to a private branch exchange.

Private Line

A voice grade circuit between two or more points.

Public Telephone

An exchange telephone with coin collecting device (coin telephone) installed on the Company's initiative, or at the Company's option, at a location chosen or accepted as suitable and necessary for furnishing service to the general public.

Rate Center

The point in each exchange from which distances are measured for the calculation of charges for interexchange services.

Residence Service

Exchange telephone service installed in a private residence or private living quarters, and used only for the social or domestic affairs of the household.

Restricted Service

A limited service furnished to extension stations or private branch exchange stations restricting calls to local calls only.

Route Measurement

The actual length of a circuit between two points.

Semi-Public Telephone Station

A coin telephone installed with the approval of the Company in locations to which both the customer and general public have access, minimum daily receipts being guaranteed by the customer, who also is entitled to a directory listing.

Service Connection Charge

A charge made to cover the clerical work incidental to the establishment of the service.

Service Entrance

The cable or wire that enters the private property and building from the exchange cable feed to the main cross-connecting terminal within a building.

G l o s s a r y

Telephone Terms

Speakerphone

A telephone equipped with a microphone and control keys, used in conjunction with a loudspeaker and a power unit to provide a loudspeaking feature (also called "handsfree").

Station Connection

The interior and exterior cable or wire, except the entrance circuits, located on private property.

Station Jacks

The jacks on a private branch exchange switchboard for the connection of station circuits.

Subscriber

An individual or entity contracting for any form of service furnished by the Company, generally referred to as our customers.

Telephone Number

The number assigned to a telephone station or private branch exchange system for convenience in operating, normally consisting of seven digits. The first two digits identify the central office or exchange, the third digit the central office unit within the exchange, the remaining four digits identify the particular customer's circuit or line within the central office unit of the exchange.

Telephone Station

A telephone, consisting of a transmitter, receiver and associated apparatus which permits telephone conversations with other stations.

TELPAK

A "bulk rate" arrangement for customers who require a large number of circuits for full-time use over a given intercity route.

Temporary Disconnection

A temporary or partial discontinuance of service without termination of contract.

Tie Line

Similar to tie trunk except that central office calls may not be extended. Stations on one PABX can call stations on another PABX over the tie line without going through the city exchange.

Tie Trunk

A circuit providing direct calls between two or more private branch exchanges of the same or separate subscribers, and over which central office calls may be extended. A caller to a PABX from outside can be connected over the tie trunk to a station on the other PABX.

G l o s s a r y

Telephone Terms

Toll

Another term for long distance service; calls for which a charge is made based on time and distance.

Toll Station

A method of providing telephone service to persons in rural areas outside of any exchange.

Toll Terminal

A direct circuit from a customer's premises to the Company's long distance switchboard used solely for long distance connections.

TOUCH CALLING

Instead of the conventional rotary dial, the TOUCH CALLING telephone has 12 push buttons that may be pressed in quick succession. Ten of the buttons are for the 10 digits and there are two extra buttons for special requirements, such as data transmission or computer access.

Traffic

Phone calls; also the name of the department providing the operators who aid in handling traffic.

Transfer of Calls

An arrangement by which calls for one telephone number may be transferred to another specified telephone number for a stated period.

Trunk

A circuit connecting a private branch exchange switchboard with a central office.

Trunk Jacks

The jacks on a private branch exchange switchboard for the connection of exchange trunks.

VOICECOM

A special type of intercity voice service for calls between two or more specified numbers.

WATS

Wide Area Telephone Service; see In-WATS and Out-WATS

Wiring Plan

An arrangement of telephone equipment and wiring with which keys are provided, designed to meet the special needs of a subscriber.

BRITISH COLUMBIA TELEPHONE COMPANYCUSTOMER COMMUNICATION SERVICES AND EQUIPMENT

*Many of the following items are
available in a variety of sizes
and types to meet customer
requirements.*

COIN TELEPHONES

Outdoor Public Service
Indoor Public Service
Semi-Public Service
Ship-to-Shore Public Service

COMPUTER COMMUNICATIONS (DATA)

Dataspeed Transmitter
Dataspeed Receiver
Data Subsets
Dataline I, II and III Services
DATACOM 100, 300 and 600

TELPAC A, B, C
M.S.D.S. (Message Switching
Data Service)

Datapac
MULTICOM I, II and III
VOICECOM I, II

1B Data
VUcom I and 2
FAXcom
Dataroute
Computer Trunk

CUSTOM CALLING FEATURESTOUCH CALLING

*(the following available in certain
electronic exchanges only.)*

Three-Way Calling
Call Waiting
Speed Calling

DIRECTORY SERVICE

Residential Extra Listings
Business Extra Listings
Yellow Page Listings (business)
Yellow Page Display Ads
Nonpublished Listings
Nonposted Listings
Joint User Service

FOREIGN EXCHANGE

Inter-City Exchange Service
Tie Trunk Service
Foreign Central Office Service

HOTEL/MOTEL SERVICES

Switchboards Manual
Type 555
Type 551

Switchboards Automatic
Type 40M
Type 80M
Type 320 (additions to existing only)
Type AKD 741 Motel/Hotel
Type GTX 400 Series 10

*Auxiliary Services Available on
most Automatic Boards:*

Message Waiting
Message Waiting Telephones
Maid Minder
Toll Trunks
Wake-up Service
Random Restriction
Message Register
Toll Restriction
Room-to-Room Calling
Room-to-Room Blocking
Room Station Numbering
Single-Digit Dialing

| |
|---|
| CUSTOMER COMMUNICATION SERVICES AND EQUIPMENT |
|---|

INTERCOM

Buzzer Systems
 Dial Selective INTERCOM
 Ring Master (recovery basis only,
 additions to existing systems only)

Automatic Point-to-Point
 ENTERPHONE
 Private Automatic INTERCOM Systems
 (ARD 636)

LEASED CIRCUIT FACILITIES for:

Off Premises Extensions
 Off Premises Locals
 Facsimile
 Transceiver
 Telegraph

Telephoto
 Wirephoto
 Wired Music
 Signal Circuits
 Closed Circuit TV

Program Transmission
 Radio and TV Broadcast
 (National and Regional)
 Private Lines
 Foreign Exchange and Tie Trunks
 Telemetrying Circuits

Dataphone
 Electrowriter
 TELPAK
 Control Circuits

Teletype
 Data
 Data Route/Digital

LONG DISTANCE

Credit Cards
 Call Collect
 Zenith Service
 Conference Calling
 Full Time WATS - to dialable points
 Measured WATS - to dialable points
 Special Billing Numbers
 Station-to-Station Service

LONG DISTANCE (Cont'd)

Person-to-Person Service
 Direct Distance Dialing (DDD)
 Third Number Billing
 Intratel
 VOICECOM

PAGING SERVICES

Enclosed Speakers
 Horn Speakers
 Amplifiers
 Microphones
 Answer Back Feature
 Area Selection
 (all above, recovery basis only and
 additions to existing systems only)
 P.A. Cut-in - Automatic
 P.A. Cut-in - Manual

PRIVATE LINE SERVICE

Full Period Inter-City Service
 Full Period Intra-Exchange Service
 Tie Line Service
 Automatic Signalling

RADIOTELEPHONE

Mobile Service
 Radio Toll Station Service
 Private Radio Systems
 (custom built to meet requirements)
 Direct Dispatch Service
 Ship-to-Shore Service

Portable Radio Service
 Auxiliary Equipment for most
 Radiotelephones
 Selective Signalling
 Remote Control Units
 Repeater

Antennas
 City-Wide Pocket Paging Service
 Autotel
 Ruraltel

| |
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| CUSTOMER COMMUNICATION SERVICES AND EQUIPMENT |
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SPECIALIZED CUSTOMER
EQUIPMENT AND SERVICES

Telephone Service for Trains
Telephone Service for Ships
Transmitter Cut-Out Service
Weatherproof Housings
Portable Amplifying Service

Voice Recorder Connector Units
Electronic Sentries
Electrowriters
Artificial Larynx
Monitoring Cabinets

Recorder Connectors
Recorder Couplers
Alarm Couplers
Voice Recorder Starter

Headset/Dial Assembly
Watchman Services
Quotation Broadcast Service
- Brokers
Annunciator Systems
Concentrator Identifier Service

Call Answering Switchboards
Incoming Metered Service
Emergency Alerting
Emergency Reporting
Volunteer Emergency Systems

Facilities to provide:
Time of Day
Dial-a-Prayer, etc.
Market Reports (TV or voice)
Weather Bulletins
Automatic Time Announcing

Facilities for Community Antenna
Systems
Automatic Call Distribution
CENTREX Service (custom built to
meet requirements)
Order Turret Service
Key Conference Service

STANDARD CUSTOMER
EQUIPMENT AND SERVICES

Desk Phones
Wall Phones
Hang Up Telephones (recovery only)
Starlite Telephones
Panel Phones

Styleline Phones
Extension Telephones
Portable Telephones
Loudspeaking Telephones (3 types)
Colored Telephones in various colors

Decorator Telephones (2 types,
various styles) Candlesticks on
recovery only
Privacy Arrangement (2 types)
Switching and Control Keys
(9 varieties)
Busy Out Service

Long Cords (2 sizes)
Retractable Cords (1 size) special
request only

Auxiliary Audible Signals

Buzzers
Gongs
Chimes
Bells
Howlers

Auxiliary Visual Signals

Neon Lights
Lamp Signals (3 sizes)
Hard-of-Hearing Handset (3 types)
Automatic Dialing Units (data only)
Secretarial Answering Units (3 sizes)
Confidencer

Multiline Telephones

| | | | |
|-------------|---------------|---|---|
| Type 85 | Recovery only | | |
| Type 86 | " | " | " |
| Type 87 | " | " | " |
| Type 186 | | | |
| Type 187 | | | |
| Logic 10-20 | | | |

| |
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| CUSTOMER COMMUNICATION SERVICES AND EQUIPMENT |
|---|

STANDARD CUSTOMER
EQUIPMENT AND SERVICE (Cont'd)

Multiline Adapters (9 sizes)
 Call Directors (2 sizes)
 TOUCH CALLING
 Overline Service
 Transfer of Calls
 Vacation Service
 Directory Assistance Service
 Repair Service

SWITCHBOARDS

Manual Switchboards

Type 551
 Type 555
 Cordless

Automatic Switchboards

Type 19 - B - 5 (recovery
 basis only)
 Type 40 (recovery basis only)

Type 80 (recovery basis only)
 Type 90 - B - 20 (recovery basis only)
 Type 75 (custom built to meet
 requirements) additions only
 Type 300 Series
 additions only
 AKD 741 (recovery basis only)
 GTX 400
 SG-1
 SL-1

Locals on Switchboards

Standard Locals
 Restricted Locals
 Off Premises Locals
 Extensions on Locals

SWITCHBOARDS (Cont'd)

Auxiliary Services Available on
 most Automatic Switchboards:

Headsets
 Code Call
 Busy Lamp Cabinets
 Emergency Power Supply
 Operator Recall
 Equipment Dollies
 P.A. Cut-in
 Trunk Busy Out Feature
 Predetermined Night Answering
 Station Overlining
 Divided Trunking
 Automatic Answering Circuits
 Background Music on Incoming
 Held Calls
 Executive Quick Call
 Zone Answering
 Universal Night Answering
 Universal Day/Night Answering

Dictation Recording Links
 Conference Service Manual
 Conference Service Automatic
 Call Forwarding
 Abbreviated Dialing
 Call Waiting

TELEPHONE LINES

Business Individual Lines
 Business Measured Lines
 Outgoing Trunk Service
 Incoming Trunk Service
 Two-Way Trunk Service

Individual Residence Lines
 Two-Party Residence Lines
 Multi-Party Residence Lines
 Multi-Party Business Lines
 CENTREX Business Lines (custom)

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| CUSTOMER COMMUNICATION SERVICES AND EQUIPMENT |
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TELETYPE

Manual Units
Automatic Units
Switching Equipment
High-Speed Service
Send and Receive Units
Terminet 300 PL/Switched

TWX

Manual TWX Service
Automatic TWX Service
TWX Conference Service
Collect Call Service

BRITISH COLUMBIA TELEPHONE COMPANY

TELEPHONE NUMBER DIRECTORY

| | | | B u s i n e s s | H o m e |
|---|------------------|----------------------|------------------------|----------|
| E x e c u t i v e | | | After early June/77 | |
| Vice-President - Network Services | G. F. Auchinleck | 662-8595 | 432-4235 | 263-5000 |
| Vice-President, General Counsel & Secretary | R. J. Bouwman | 662-8013 | 432-4211 | 533-2101 |
| Vice-President - Operations | J. C. Carlile | 662-8771 | 432-4226 | 980-4400 |
| Vice-President - Administration | T. F. Heenan | 662-2811 | 432-4224 | 266-2755 |
| Vice-President - Marketing | J. A. MacInnes | 662-8101 | 432-4244 | 987-1400 |
| Vice-President - Supply, Transportation & Buildings | D. B. McNeil | 526-0861 loc. 460 | | 224-9352 |
| Vice-President - Revenue Requirements | G. M. Smith | 662-8181 | 432-4222 | 263-6955 |
| Vice-President - Customer Service | R. H. Stevens | 662-0171 | 432-4220 | 261-0702 |
| Treasurer | J. N. Stewart | 662-2211 | 432-4236 | 922-3553 |
| Vice-President - Personnel & Industrial Relations | F. S. Tucker | 662-8711 | 432-4212 | 922-5357 |
| Public Affairs - Vancouver | | | | |
| Director of Public Affairs | C. G. Patterson | 662-2430 | 432-2698 | 266-0446 |
| Community Relations Manager | P. D. Harvey | 432-2661 | | |
| Internal Communications Manager | C. J. Finch | 662-8065 | 432-2686 | 922-7466 |
| Advertising Manager | B. W. Holliday | 662-8064 | 432-2675 | 261-1722 |
| Corporate Communications Manager | N. H. McAfee | 662-2563 | 432-2681 | 682-0160 |
| Information Manager | K. G. Matthews | 662-8698 | 432-2679 | 943-2828 |
| Librarian | E. B. Murray | 662-8070 | 432-2671 | |
| Public Affairs - Victoria | | | | |
| (Island Division) | K. Horodyski | 388-8411 loc. 426 | | 658-1021 |
| Public Affairs - Kamloops | | | | |
| (Interior Division) | N. L. Fromyhr | 374-4286 | | |
| Public Affairs - Prince George | | | | |
| (Northern Division) | R. F. Drane | 563-1437 | | 564-7335 |

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British Columbia Telephone Company 1977 Annual Report

AR22



The Cover

Tapestry Story

B.C. Tel's new Headquarters Building, shown in our cover illustrations, is both a practical and an attractive structure. It also is a symbol of what the Company is: a forward-thinking organization attuned to its environment and one which utilizes modern technology and methods to the benefit of the community.

The Company's headquarters staff moved into the building during the first half of 1977. The move was highlighted by official opening ceremonies June 22 where Mayor Tom Constable of Burnaby described the structure as a "masterpiece in architectural design and landscaping".

The building is situated at 3777 Kingsway in Burnaby, at the eastern boundary of Vancouver. About 2,200 people in 55 departments of the Company are located in the 'British Columbia Telephone Company Building', people who previously worked at 12 widely separated locations in Vancouver, including the William Farrell Building, formerly the Company's headquarters.

Two basic needs prompted the decision to construct the 22-storey facility which cost \$32,600,000, or \$41.48 per square foot, a bargain price in the Greater Vancouver area. First was the need for more space in the Farrell Building to house equipment required to meet the demands of telecommunications users. Second was the need to bring together in one location the people who carry out the Company's administrative functions so that these functions can be done with greater efficiency.

The commemorative plaque unveiled by Mayor Constable at the opening ceremonies reads:

"The British Columbia Telephone Company Building is dedicated to the memory of the thousands of men and women, pioneers in telephony, whose vision and energy made possible the creation of a telecommunications network which spans this province and links it to the world".

The creation over the last eighty-six years of the B.C. Tel network of transmission and switching systems criss-crossing British Columbia has been described by historians as the weaving of a telecommunications tapestry.

It seemed appropriate that the Company, in preparing to move into the new Headquarters Building, should choose this art form as a feature of the interior decoration. British Columbia artists were commissioned to create six tapestries contemporary in design. These tapestries hang in the building as one of the most interesting single collections of such works by British Columbia artists.

The artists are Madeleine Chisholm, Jane Kidd, Ewa Kupczynski, Linda Powell and Joanna Staniszkis. Their work was co-ordinated by Marcus True in conjunction with Frank Musson of Musson Cattell and Associates, architects who designed the building.

The tapestries are shown in photographic illustrations on the pages of this report together with representations of the latest technology woven into the Company's telecommunications system.

The Headquarters Building also contains examples of West Coast Indian art in two Don Yeoman graphics symbolizing a supernatural raven and a dogfish. Paintings and prints by other artists are displayed through a rental arrangement with the Burnaby Art Gallery.



Jane Kidd

British Columbia Telephone Company Incorporated by Special Act of the Parliament of Canada, April 12, 1916
Eighty-sixth Annual Report 1977



The Report at a Glance

| Financial | 1977 | 1976 |
|--|-----------------------|-----------------------|
| Revenues, Expenses and Earnings | | |
| Operating revenues | \$ 501,554,000 | \$ 435,839,000 |
| Operating expenses | \$ 400,555,000 | \$ 349,041,000 |
| Earnings before interest and other deductions | \$ 110,879,000 | \$ 96,492,000 |
| Invested Capital | | |
| Average invested capital | \$1,242,983,000 | \$1,080,248,000 |
| Return on average invested capital | 8.92% | 8.93% |
| Ordinary Shares | | |
| Share earnings | \$ 29,019,000 | \$ 27,785,000 |
| Earnings per share | \$ 1.54 | \$ 1.48 |
| Dividends declared per share | \$ 1.02 | \$.96 |
| Equity per share | \$ 13.70 | \$ 13.19 |
| Average shares outstanding | 18,833,638 | 18,832,713 |
| Gross Plant Additions | \$ 262,855,000 | \$ 301,385,000 |
| Other | | |
| Telephones in service | 1,600,512 | 1,543,310 |
| Telephone gain for the year | 57,202 | 70,127 |
| Number of employees | 13,274 | 13,749 |

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Report of Directors



Gordon F. MacFarlane
Chairman and Chief Executive Officer

Despite the effects of a lingering weakness in the economic climate and despite the year-long labour dispute between B.C. Telephone Company and the Telecommunications Workers Union, the Company was able to achieve 1977 operating and financial results about on a par with those of 1976.

The Report of Directors for 1976 noted that the manner in which the uncertainty surrounding three critical elements in the Company's environment would be resolved would determine, in large part, what the year would hold for the Company.

These were the uncertainty as to the outcome of our application for increased rates, the uncertainty as to the economic performance of the province and the uncertainty as to the outcome of our labour negotiations.

Two of these uncertainties were resolved, to some degree at least, during the year. Our request for

increased tariffs was approved, with minor exceptions, and the beneficial effect of the increase became evident in our third and fourth quarters. Although there was no dramatic improvement in the economy of the province, there was a very slight upward movement, one which promises to become more pronounced as 1978 progresses.

However, the third of our uncertainties, the labour dispute, remained with us throughout the year and, well into 1978, it continued to dominate the day-by-day operations of the Company as well as inhibit our planning and cloud our prospects. The importance and implications of this critical matter are discussed in greater detail in the 'Industrial Relations' section of the Report.

Financial Performance

The Company's financial performance improved substantially in the third and fourth quarters of 1977, following a below-dividend return in the first quarter and only slightly better results in the second quarter.

There is some indication, from fourth-quarter results, that this trend to higher earnings may be falling off. The effect of the general rate increases in local service and intraprovincial toll service charges, implemented May 30, 1977, is being offset — to a degree — by a slackening in the rate of revenue growth.

The company experienced a 15.1% growth in revenues in 1977 to \$501,554,000 and a 14.8% increase in operating expenses to \$400,555,000, a figure which includes some major expenditures associated with the Company's move into its new Headquarters Building.

Effective cost-control measures were otherwise responsible for holding the overall increase in operating expenses to this level.

While there has been some improvement in the cost of servicing

our invested capital, this cost continues to reflect the high inflationary levels in effect when substantial amounts of this capital were raised. Other costs continue to escalate due to continuing and increasing inflationary influences and to the increasing size of plant facilities.

Should the rate of revenue growth continue to ease as it has done in the fourth quarter and should the renewal of regional economic growth fail to materialize, the Company may be compelled to seek an increase in rates to be effective before the end of 1978.

Earnings

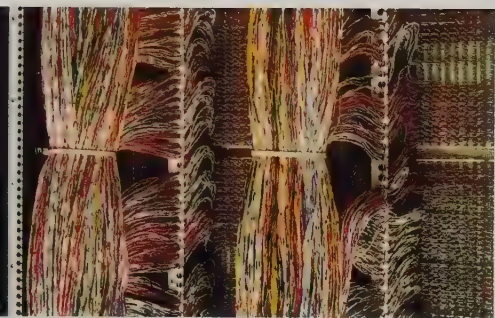
Earnings for the year amounted to \$1.54 per share compared with 1976 earnings of \$1.48 per share. Total earnings were \$29,019,000, compared with the \$27,785,000 earned in 1976.

The Company's return on average invested capital for 1977 amounted to 8.92% compared with 8.93% in 1976. The rate of return on average ordinary share equity for 1977 was 11.59% compared with 11.37% in 1976.

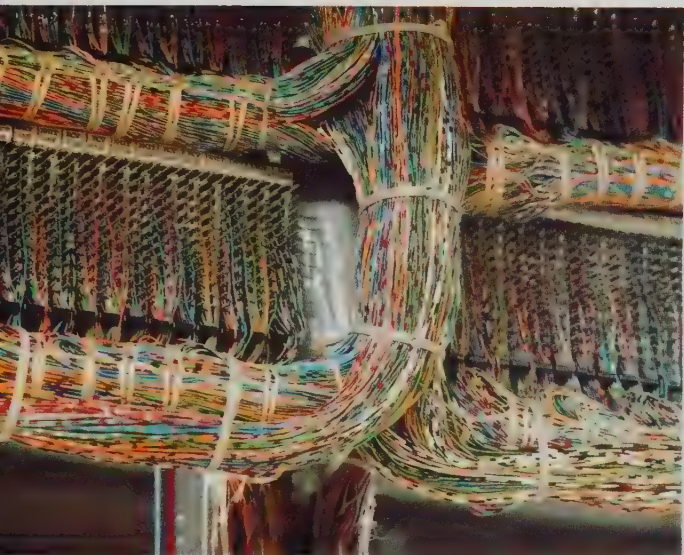
In its May 17, 1977, decision on the Company's rate application, the Canadian Radio-television and Telecommunications Commission (CRTC) did not 'consider it useful to establish a permissive range for the rate of return on equity or invested capital in this case, since the projections indicate that the results of this application as approved will fall below the ranges proposed by any of the parties to this hearing'. In its application, the Company stated that an appropriate range for rate of return on average invested capital would be from 9.6% to 10.0% and for average ordinary share equity from 13.5% to 15.0%.

Financing

The Company raised approximately 60% of its 1977 capital requirements of



"message" by Jane Kil



Regulation

\$251.7 million from external sources of funds through issues of first mortgage bonds and preferred shares.

On February 15, 1977, an issue of 7% preferred shares totalling \$40,000,000 was sold privately to several institutional investors in Canada.

On July 7, 1977, the Company issued \$50,000,000 First Mortgage Bonds, 9.70% Series AE to mature on June 15, 1999.

Proceeds in each case were used to repay short-term loans incurred to finance the construction program.

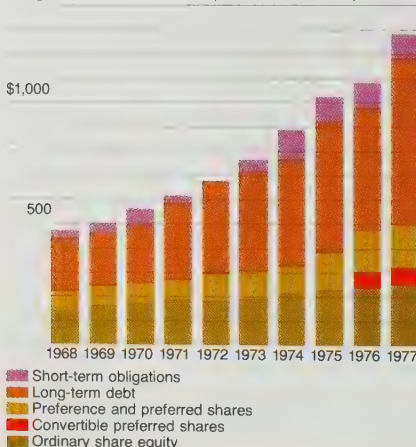
A \$24,000,000 (U.S.) first mortgage loan to finance the Company's Headquarters Building was completed May 31, 1977, with the receipt of \$25,221,000 by 70,074 Limited, the Company's subsidiary and owner of the building.

Details of these financing operations are contained in Notes to Consolidated Statement of Capitalization in the Financial Report.

Dividend Increase

On October 26, 1977, the Directors declared a dividend on Ordinary Shares of \$.27 per share, payable on January 1, 1978, to shareholders of record on December 9, 1977, an increase of \$.02 over the previous quarterly dividend.

Capital Structure (Millions of dollars)



The scope of regulatory and other government-related activities which involve the Company broadened in 1977.

For a second year, B.C. Tel has operated under the regulations of the Anti-Inflation Program. In 1977, both B.C. Tel and its subsidiary, Okanagan Telephone Company (OKTel), appeared before their respective regulatory bodies to request rate increases.

In addition, the Company has taken part in one inquiry under the aegis of the Restrictive Trade Practices Commission (vertical integration) and another (the Cost Inquiry) under the CRTC. The Company is intervening in the landmark CN/CP-Bell interconnection hearing. During the year, representations were made to the Federal government regarding proposed telecommunications legislation and the decision affecting Telesat Canada.

Anti-Inflation Program

The Company operated within the Guidelines of the Anti-Inflation Program throughout 1977 and will continue to be governed by them for the balance of 1978, although the Canadian government has announced its intention to phase out the anti-inflation controls during the year ahead.

B.C. Tel Rate Decision

In December, 1976, B.C. Tel applied for a general increase in rates. The application, the first to be dealt with by the Canadian Radio-television and Telecommunications Commission, requested increases of approximately 15% in most monthly rentals and of about 10% in intraprovincial long-distance rates plus higher service charges.

In keeping with the new Commission's policy of increased public participation in the regulatory process, several hearings additional to the principal rate hearing were held in British Columbia communities in March, 1977. In its decision of May 17, 1977, the CRTC approved the majority

of the requested increases which became effective May 30, 1977. It also noted that, 'The Commission will continue to monitor all relevant economic indicators to assure itself that the Company's financial position is such that it can continue to offer reliable telephone service at fair and reasonable rates'.

OKTel Rate Decision

Okanagan Telephone Company applied on June 28, 1977, for a general revision of its tariffs which would bring the rates paid by OKTel customers to approximately the same level as those of B.C. Tel customers. The regulatory body for OKTel, the Motor Carrier Commission of British Columbia, held public hearings in October and, with minor exceptions, approved the applied-for increases to be effective November 15, 1977.

In the course of the hearings, T.F. Heenan, as a Vice-President of OKTel and Vice-President — Administration with B.C. Tel, placed on record the intention of the two companies to effect a merger in the near future, providing a number of factors — currently under examination by each company — demonstrated that such a merger would be mutually advantageous to the shareholders, employees and subscribers of each company. Any merger would be subject to the approval of the respective regulatory authorities.

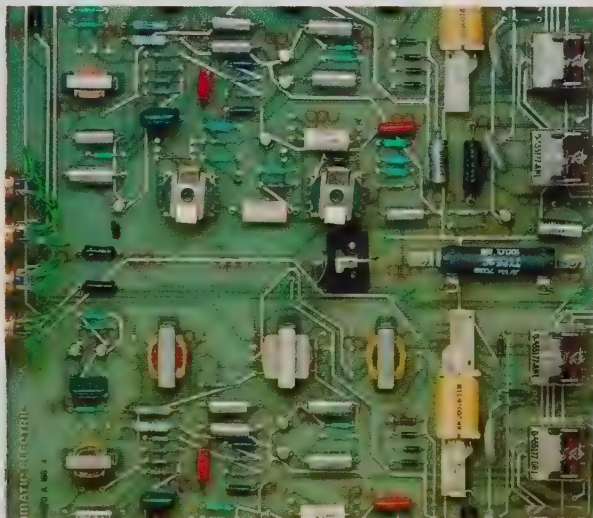
Telesat Canada

As one of the corporate shareholders in Telesat Canada and as a member of the TransCanada Telephone System, B.C. Tel has had a particular interest in the success of Telesat Canada's application to become a member of TCTS. Although the original application was denied by the CRTC, this decision was 'varied' by the Governor in Council, November 3, 1977, to approve the proposed agreement between Telesat and TCTS.

The Federal Minister of Communications, the Hon. Jeanne



"convergence" by Ewa Kupeczewska



Sauvé, stated that, '... the Government continues to hold the view — as it always has — that Telesat is a complement to, not a competitor with, the existing telecommunications carriers...'

Legislation

A decade-long process of formulating policy to determine and define the regulatory climate in which telecommunications carriers would operate culminated in March, 1977, in the introduction of Bill C-43 — an Act respecting telecommunications in Canada.

Certain aspects of the legislation were of serious concern to the carriers. B.C. Tel, independently, and in concert with members of the TransCanada Telephone System and the Canadian Telecommunications Carriers Association, responded constructively but firmly to those sections of the proposed legislation which would have the effect of increasing government direction and control.

The proposed legislation, which failed to gain approval during the second session of the current Parliament, has been re-introduced during the third session as Bill C-24.

The new Bill contains a very significant statement of national telecommunications policy, one which this Company has been seeking to have enshrined in legislation. The proposed legislation states that "... the regulation of all aspects of telecommunication in Canada ... should ensure a proper balance between the interests of the public at large and the legitimate revenue requirements of the telecommunication industry".

Vertical Integration

The Company appeared before the Restrictive Trade Practices Commission of Canada during regional hearings conducted in Vancouver in September to investigate the subject of vertical integration in the telecommunications equipment market in Canada. The

Company asserted that such vertical integration as presently exists in Canada plays no role in its own purchasing practices but has been and will continue to be in the public interest.

Cost Inquiry

The Company continues to participate in the on-going Inquiry into Telecommunications Carriers' Costing and Accounting Procedures which started in 1972 under the Canadian Transport Commission and continues under the CRTC.

CN/CP-Bell Interconnection

A highly contentious issue — systems interconnection — is the subject of a public hearing by the CRTC at which the Company will appear as an intervenor.

CN/CP Telecommunications has applied for permission to interconnect its networks with Bell Canada's local switching networks where necessary to complete CN/CP Telecommunications service. The outcome of this hearing will go far to determine the future shape of communications in this country.

It is this Company's contention that approval of the application would undermine the principles of price-averaging and cross-subsidization which are fundamental to the ability of a regulated monopoly, such as a telecommunications carrier, to offer universal service. Further, we believe that the revenue losses which would result from selective competition such as that proposed by CN/CP would have to be borne by the general body of our customers, without a corresponding accrual of benefits.

Although the application is directed in this instance against Bell Canada, there is little doubt that its approval would mean an almost-automatic extension to the operations of this Company. Consequently, this Company will intervene in opposition to the application as vigorously and effectively as possible.

During the year, a major re-organizational change was effected. With a focus on our end product — service to the customer — the principal areas of the Company's operations involving direct customer contact have been grouped under Customer Service, while those areas primarily concerned with supplying and maintaining efficient means of transmission and switching have been grouped under Network Services.

Application of this general concept required many changes in the reporting structure of the Company and in individual assignments.

Unfortunately, the beneficial effect of these changes was limited by the atmosphere of labour unrest and confrontation which permeated the Company's operations throughout much of 1977. We are confident that the changes will produce significant improvements in service for our customers and provide new avenues of development for our employees — management and classified.

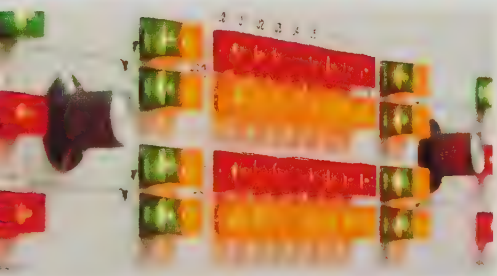
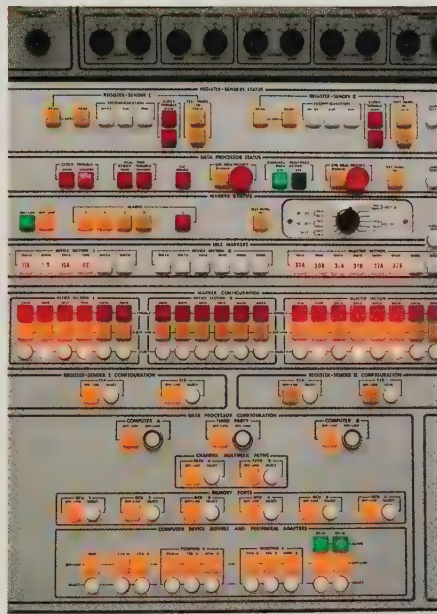
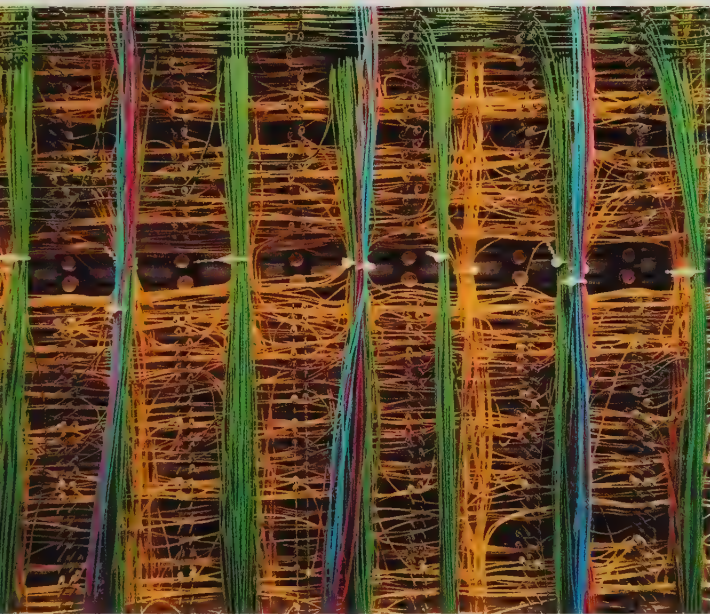
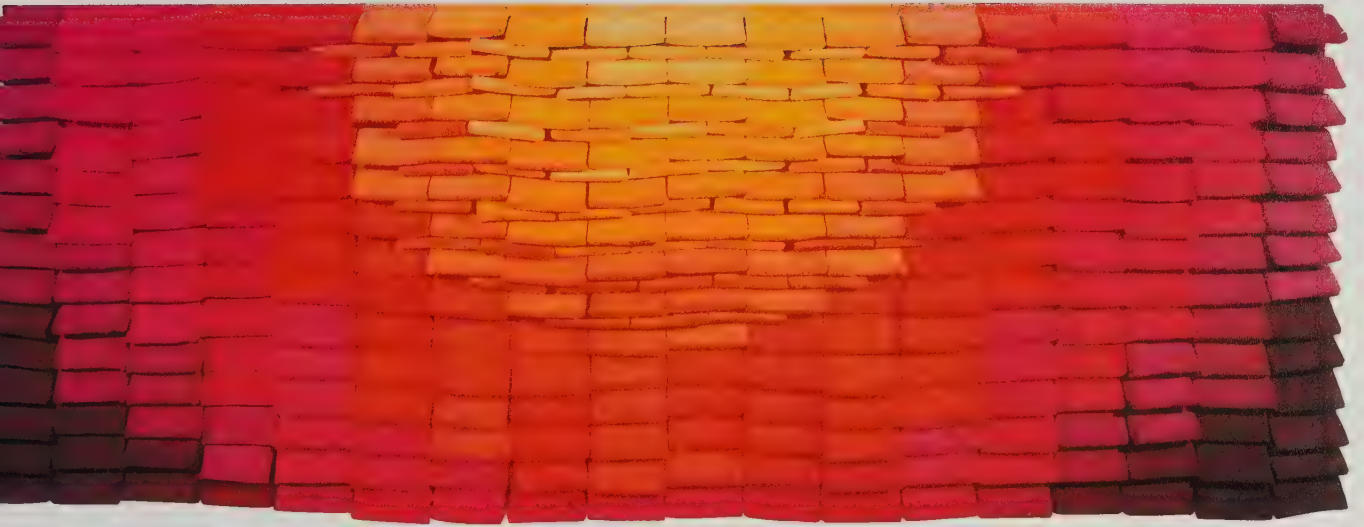
T.F. Heenan — TCTS President

T.F. Heenan, formerly Vice-President — Administration with B.C. Tel and a Vice-President of Okanagan Telephone Company, has been appointed President of the TransCanada Telephone System. He assumed his new duties January 1, 1978.

Executive Changes

Following Mr. Heenan's assumption of his new duties, a number of executive reassignments among the Company's executive staff became effective March 1, 1978. D. Barry McNeil was appointed Vice-President — Administration and he was succeeded by Donald W. Champion in the post of Vice-President — Supply, Transportation and Buildings.

"wall warmer" by Madeleine Chisholm



Progress

The Company invested \$262,855,000 in new plant during the year in a continuation of its program of network expansion and improvement. Of the total, approximately 70% involved provision of facilities required for growth. The remainder was necessary to upgrade existing plant and replace worn-out facilities.

Growth of our facilities reflects and anticipates the general economic activity of British Columbia. Overall in 1977, the economic pace in the province was slow, as we had forecast and as is reflected in the gain in telephones connected through the B.C. Tel and OKTel systems. It was 57,202, an increase of 3.7% to a total of 1,600,512. The increase during 1976 was 70,127 while that of 1975 was 89,981.

There were exceptions to the general rule, the major one being in the province's northeast corner where the economy is being stimulated by petroleum exploration and development work and by preparations for the massive job of constructing the British Columbia portion of the Alaska natural gas pipeline. In that region, the Company had to make special efforts to meet sudden growth in demand, especially for long distance and mobile radiotelephone services.

The number of toll circuits linking Fort St. John with the provincial, national and international network was nearly doubled, three additional radiotelephone channels were added, operator staff was increased significantly and a 400-line switching equipment addition was made to the Fort St. John telephone exchange. Late in the year, automatic number identification equipment for customer-dialed toll calls was placed in service.

Further growth is anticipated and the Fort St. John exchange building is being enlarged as part of the program

to meet the increased subscriber demand there.

In the total picture, the Company's capital expenditures were \$48 million below forecast essentially because the labour dispute disrupted our construction program. While the full impact of that disruption remains to be assessed, it is clear that completion of many projects will be months behind schedule.

During 1977, the Company invested \$59.8 million in the purchase and connection of subscriber equipment — telephones, PABX switchboards for businesses, etc.; \$50.4 million went into 'out of sight' (underground) and aerial cable and related facilities; \$20.0 million went into land and buildings and \$127.9 million went into central office equipment.

In the latter category, \$60.2 million was invested in the Company's continuing program of electronic switching equipment installations. The conversion to electronic common control switching equipment, which by 1981 should be serving 55% of the Company's lines, brings with it significant containment of maintenance expenses, more reliable service and new service offerings for customers.

During 1977, more than 100,000 lines were added to the total served through electronic switching in B.C. Tel and OKTel operations. This brought to 12.3% the portion of total lines connected through electronic exchange facilities.

One new electronic installation and a small, unattended automatic office placed in a remote section of the northeastern part of British Columbia during the year serve as examples of the nature of the Company's business

as a public utility serving the entire community.

In the populous Lower Mainland region of the province, a \$12,500,000 computer-controlled electronic switching centre was completed at Whalley. It is the largest switching facility of its kind in the system to date, serving 35,000 customers. Some 1,100 kilometres to the northeast, at the remote settlement of Prespatou 90 kilometres north of Fort St. John, \$1,200,000 was invested to instal a portable exchange which by year-end had about 150 customers connected. The settlement previously had only a single coin phone in a general store.

The Prespatou installation is a prime example of the Company's acceptance of its obligation to provide service not only in the populous areas but also in high-cost, low-return rural regions whose people make important contributions to the total provincial economy.

The Phone Mart system, through which customers are invited to visit a neighborhood telephone store and pick out the equipment they want for their residential service, then take it home and plug it into previously installed wall sockets, was extended during the year. Four new Phone Mart stores were opened, bringing the total in operation to six. In addition, Phone Mart services are provided through 10 of the Company's public offices. The concept has proved highly popular with customers and will be extended to additional areas in 1978.

Pagecall*, giving customers a smaller, lighter paging instrument which allows them to receive two different

* Registered trademark



"dusk" by Linda Powell



Industrial Relations

signals rather than one, was introduced in Vancouver and Victoria areas in 1977 and will be extended to Prince George and Kamloops in 1978.

The Company has joined the Datapac network of the TransCanada Telephone System, equipping exchanges in seven major centres to provide customers with a data communications network to service such functions as electronic transfer of funds and point-of-sale inquiry and response that are of special interest in the retail business.

Customer service improvement and cost control are objectives of these significant installations:

- A data-processing and retrieval system to improve accuracy and speed in handling customer service orders, billing and customer account inquiries, is in operation in New Westminster and scheduled to be in use in the entire Coastal area of the province by the end of 1978. It eliminates manual distribution of service-order copies, reduces internal paper work and assures swift transmission of pertinent information to each department involved in filling customer orders.

- A computerized system that identifies very quickly abnormalities which mean circuit troubles is in use in exchanges in the Greater Vancouver area and additional offices will be served by it during 1978. The system measures duration and number of calls and reports in print-out form where the troubles have occurred and the nature and number of abnormalities. This permits swift restoration of service on those circuits, reducing both potential revenue loss and customer annoyance.

- A computerized service that will permit speedier response to customers who need directory assistance and will reduce the use and manual distribution of paper work internally is to have its initial component in operation during the first half of 1978.

A three-year collective agreement extending to December 31, 1979, was signed February 12, 1978, with the Telecommunications Workers Union (formerly the Federation of Telephone Workers of British Columbia). Its provisions will enable the Company to manage its business more effectively and should permit the development of a new spirit of co-operation in the workplace throughout the Company.

The TWU had called a full strike of 10,000 employees November 24, 1977, against B.C. Tel and its subsidiary, Canadian Telephones and Supplies Ltd., following the collapse of earlier negotiations to replace the contract which expired December 31, 1976.

The central issue was the 'contracting out' clause of the agreement, a clause which, as written in previous contracts, fostered confrontation between union and management and impaired the Company's ability to manage its business effectively in the best interests of subscribers, shareholders and employees.

The Company stood firm in its resolve to get a constructive solution to that issue. The agreement, signed after a federally-appointed Industrial Inquiry Commission submitted

recommendations for settlement terms, provides for a Joint Standing Committee on Contracting Out and Technological Change. The Committee comprises four representatives from the Company, four from the TWU and an independent chairman with power to make binding decisions.

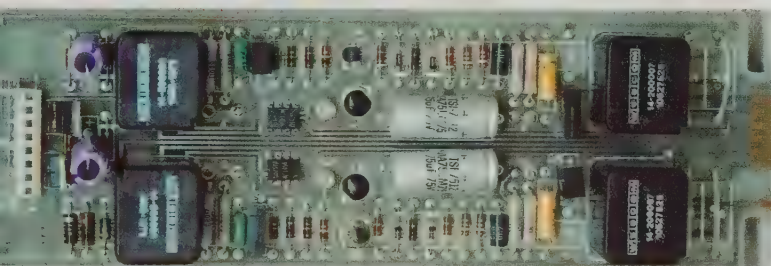
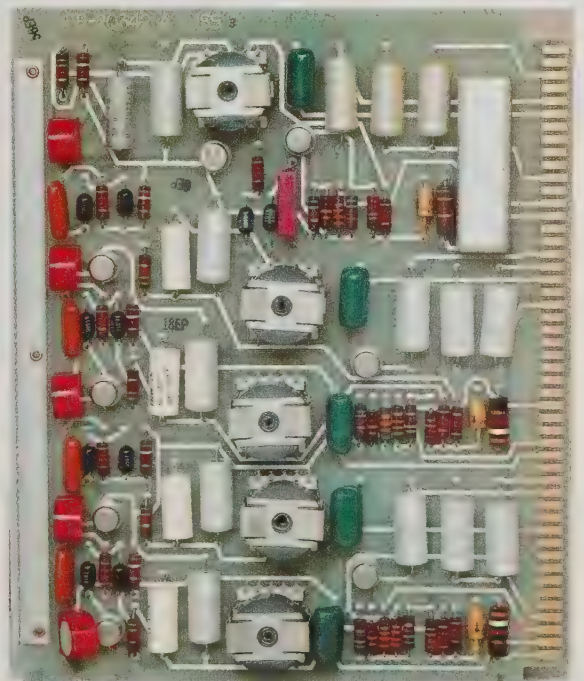
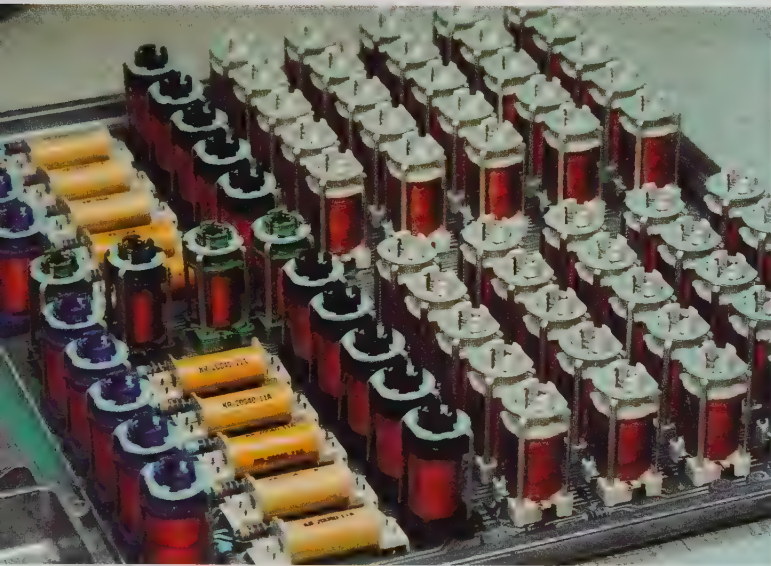
The agreement provides job and employment security for employees in the face of contracting out and technological change. It creates conditions in which union and management can work together constructively to remove irritants and frustrations that, in the past, have led to confrontation and the inevitable erosion of productivity that goes with such an atmosphere. We anticipate significant improvement in the industrial relations climate within the Company as a result of the effective working of the committee.

In terms of monetary items, the settlement provides for hourly wage increases of 45 cents in 1977 and 32 cents in 1978, both within the Federal Anti-Inflation Board limitations which apply through that period. In 1979, wage rates will be increased by 6% over 1978, a Company-paid dental plan will be introduced and the Company's contribution to the bargaining unit employee pension fund will increase to 6.5% from 6% of the employee's gross earnings from the Company.

Employee Training

The technology being employed in the telecommunications industry today requires that employees acquire

"conjunctions" by Lisa Kappenzon

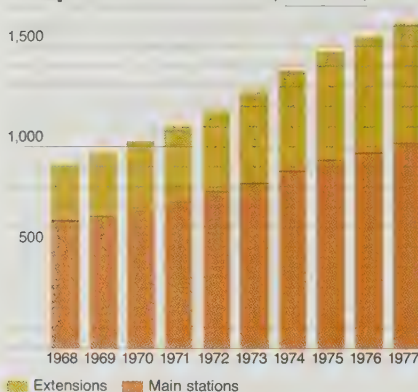


Looking Ahead

additional skills and knowledge. The Company recognizes the need for training and retraining — both in management and in the classifications in the bargaining unit — and initiated steps during 1977 to consolidate its training facilities under one roof.

Our training program will involve an increase to about \$8,000,000 annually from the current \$6,000,000 in employee development expenditures by the Company during the next two or three years. It will result in new opportunities for the Company's employees and will include counselling functions to assist them in identifying the most rewarding career path available.

Telephones in Service (Thousands)



With the signing of a three-year collective agreement between B.C. Telephone Company and the Telecommunications Workers Union, we look to a period of relative stability during which the energies and efforts that have been concentrated on a resolution of the labour dispute can be turned to more productive use.

Mr. Justice Henry Hutcheon of the B.C. Supreme Court, as the second part of his assignment from the Federal Minister of Labour, has been asked to report on labour relations generally within B.C. Tel. His report is due in April and we will be most interested in his objective assessment of the situation.

The introduction of new and sometimes revolutionary technology has become a commonplace in the telecommunications industry, yet each change brings with it new demands on our expertise, our resources and our work force. We share the concern of our employees regarding the implications of widespread, rapid changes in technology and, as the terms of the latest collective agreement testify, we are prepared to make substantial efforts to ameliorate the negative aspects of such change while gaining, on behalf of our customers, our employees and the Company, the benefits of these developments.

Our effort to convert our system to electronic switching as rapidly as is economically and technically feasible is a case in point. While the effects of our labour dispute must result in some slowdown in our timetable, we are confident that there will be no significant long-term penalties to be

paid by our customers, our employees or the Company.

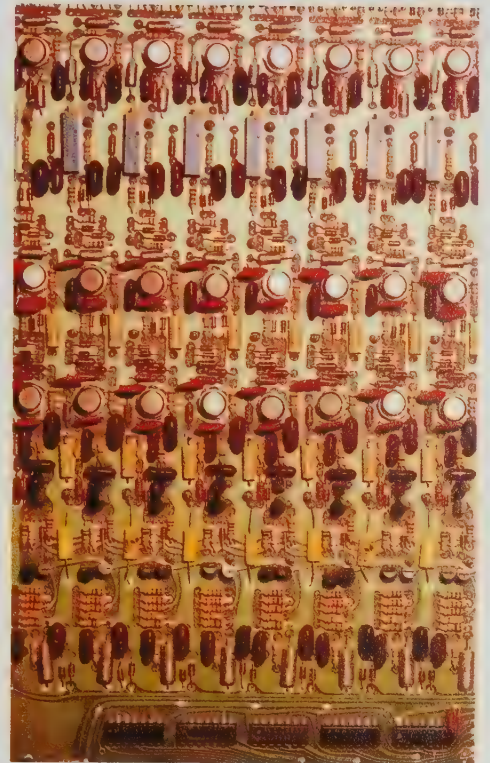
There are aspects of the Company's financial position that will continue to demand the closest attention. The Company's objective of reducing its debt-equity ratio to 55% by 1980 still appears to be realistic. Our ability to increase the percentage of our capital requirements financed from internal sources is encouraging and we would look to a continuation of this trend in the short term.

Our construction program for the year ahead, even taking into account the catch-up requirement attributable to the lengthy strike, is not likely to place such severe demands on the Company's ability to secure external financing as has been the case in previous years.

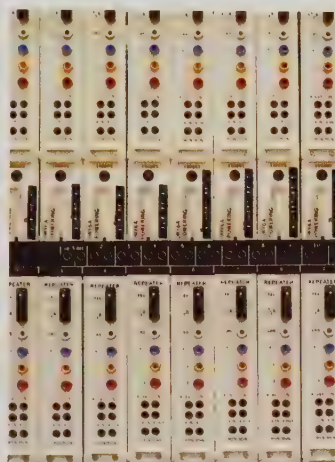
We are confident that 1978 and 1979 will see a significant improvement in the economy of this province. We continue to make plans and initiate projects which will contribute to that growth and enable us to meet the telecommunication needs of our customers.

On behalf of the
Board of Directors,

Gordon F. MacFarlane
Chairman and Chief Executive Officer
February 22, 1978



"yellow in stripes" by Joanna Staniszkis



Financial Report

The modest improvement in ordinary share earnings posted in 1977 resulted primarily from rate increases implemented May 30. Several other factors are to be noted, however, within the comparative results reported in the Company's Consolidated Statement of Earnings and Earnings Retained for Use in the Business.

Operating Revenues

Operating revenues for the year 1977 were just over the half billion dollar mark for the first time in the Company's history, totalling \$501.6 million, or 15.1% more than the 1976 total of \$435.8 million. While this is of some significance, 1977 revenues fell short of expectations and displayed a quarterly growth pattern that indicated a noticeable downturn in the latter months of the year.

Local service revenues of \$216.1 million in 1977 were 15.1% more than generated in 1976. Of the approximate \$28.4 million increase, about \$16.9 million is attributable to adjustments to service and connection charges allowed in the regulatory decision made effective May 30, 1977. The balance of the increase resulted from a modest 3.7% growth in telephone stations during the year.

An annual increase in toll service revenues of \$34.5 million, to \$270.3 million, represented a 14.6% gain for the year, the lowest annual rate of increase since 1970. Long distance calling volumes in 1977 increased by only 6.5%, which had a disappointing effect on toll revenues, but this was partly overcome by increases granted in intraprovincial long distance rates.

Operating Expenses

Operating expenses were held to an overall 14.8% increase over 1976. A

total of \$400.6 million was expended on operations, including depreciation and taxes, compared with \$349.0 million in 1976.

Operations and administration expenses of \$232.4 million were 11.8% more than the 1976 total of \$207.9 million, reflecting increased wage and pension costs, including provision for terms of the recently signed 1977 working agreement, together with one-time costs of transferring the Company's head office to the new Burnaby location.

Depreciation increased by 21.7%, to \$101.2 million, primarily due to additional plant placed in service during the year.

Taxes, other than income taxes, totalled \$24.8 million compared with \$22.1 million in 1976, an increase of 15.1% for the year. This is the first time in several years that the annual rate of increase in this category was below the 20% line and reflects restraint in government spending at the provincial and local levels.

Income taxes of \$42.1 million in 1977 were 17.3% greater than in 1976 although there was no increase in the tax rate which applies to the Company.

Return on Average Invested Capital

During 1977 the Company's average capital investment amounted to over \$1.2 billion. On this basis, earnings before interest and other deductions of \$110.9 million provided for an 8.92% rate of return, marginally less than in 1976 when earnings of \$96.5 million resulted in a return of 8.93%.

Interest and Other Deductions

Despite an easing in interest rates in 1977, and reduced borrowing requirements associated with our construction program, interest and other deductions totalled \$64.2 million or 15.0% more than 1976 borrowing costs

of \$55.8 million. Reflected in the increase are interest charges on new bond and mortgage financings arranged in 1977, details of which are noted in the Report of Directors.

Ordinary Share Earnings and Return on Average Ordinary Equity

Net earnings available for payment of all dividends in 1977 amounted to \$46.7 million compared with \$40.7 million in 1976. The provision for preference and preferred share dividends totalled \$17.7 million in 1977 (\$12.9 million in 1976) and included a full year's dividends on the convertible subordinate preferred shares issued in mid-1976, as well as dividends payable on the 7% preferred shares issued in February, 1977.

Ordinary share earnings totalled \$29.0 million, or \$1.54 per share, compared with \$27.8 million, or \$1.48 per share, in 1976. On a fully-diluted basis, the improvement was slight, to \$1.46 per share in 1977 from \$1.45 in 1976.

The return on average ordinary share equity was 11.59% in 1977, compared with 11.37% in 1976.

An increase in the quarterly dividend on ordinary shares, to \$.27 from the previous rate of \$.25, was declared for the final quarter of 1977. Dividends amounting to \$1.02 per share, or \$19.2 million in total, were paid for the year, compared with ordinary share dividends of \$18.1 million or \$.96 per share in 1976.

The balance of earnings retained for use in the business equalled \$9.8 million in 1977, slightly more than the \$9.7 million retained in the previous year.

Consolidated Statement of Earnings and Earnings Retained for Use in the Business

For the years ended December 31, 1977 and 1976

| | 1977 | 1976 |
|--|------------------------|------------------|
| | (Thousands of Dollars) | |
| Operating Revenues | | |
| Local service | \$ 216,098 | \$ 187,694 |
| Toll service | 270,323 | 235,813 |
| Miscellaneous | 21,180 | 17,651 |
| Less — Uncollectible operating revenues | (6,047) | (5,319) |
| Total Operating Revenues | <u>501,554</u> | <u>435,839</u> |
| Operating Expenses | | |
| Operations and administration | 232,430 | 207,879 |
| Depreciation | 101,210 | 83,195 |
| Provincial, municipal and other taxes | 24,813 | 22,064 |
| Income taxes | 42,102 | 35,903 |
| Total Operating Expenses | <u>400,555</u> | <u>349,041</u> |
| Operating Earnings | 100,999 | 86,798 |
| Other income | 9,880 | 9,694 |
| Earnings Before Interest and Other Deductions | <u>110,879</u> | <u>96,492</u> |
| Interest and Other Deductions | | |
| Interest on long-term debt and amortization of issue costs | 58,175 | 49,003 |
| Other interest charges | 5,988 | 6,773 |
| | <u>64,163</u> | <u>55,776</u> |
| Net Earnings | 46,716 | 40,716 |
| Less — Preference and preferred share dividends | <u>(17,697)</u> | <u>(12,931)</u> |
| Ordinary Share Earnings | 29,019 | 27,785 |
| Earnings Retained for Use in the Business | | |
| Balance at Beginning of Year | 90,930 | 81,756 |
| | <u>119,949</u> | <u>109,541</u> |
| Less — Ordinary share dividends | (19,211) | (18,079) |
| Share issue expense | (150) | (532) |
| Balance at End of Year (Note 7) | <u>\$ 100,588</u> | <u>\$ 90,930</u> |
| Earnings per ordinary share (Note 1) | | |
| — Basic | \$ 1.54 | \$ 1.48 |
| — Fully diluted | \$ 1.46 | \$ 1.45 |

British Columbia Telephone Company
Consolidated Balance Sheet

As of December 31, 1977 and 1976

| Assets | 1977 | 1976 |
|---|------------------------|-------------|
| | (Thousands of Dollars) | |
| Telephone Plant, at cost | | |
| Buildings, plant and equipment | \$1,806,171 | \$1,569,232 |
| Less — Accumulated depreciation | (414,595) | (350,700) |
| | 1,391,576 | 1,218,532 |
| Land | 12,812 | 12,370 |
| Plant under construction | 126,654 | 145,965 |
| Material and supplies | 16,322 | 15,084 |
| | 1,547,364 | 1,391,951 |
| Investments and Other Assets, at cost | | |
| Telesat Canada | 3,300 | 3,300 |
| Other | 224 | 624 |
| | 3,524 | 3,924 |
| Current Assets | | |
| Cash | — | 1,173 |
| Accounts receivable | 72,816 | 57,268 |
| Prepaid expenses | 5,717 | 6,192 |
| | 78,533 | 64,633 |
| Deferred Charges | | |
| Unamortized cost of issuing debt securities | 9,575 | 9,220 |
| Other | 906 | 1,360 |
| | 10,481 | 10,580 |
| | \$1,639,902 | \$1,471,088 |

Approved for Board of Directors,

G.F. MacFarlane, Director

V.F. MacLean, Director

Capitalization and Liabilities**1977****1976**

(Thousands of Dollars)

Capitalization (per accompanying statement)

Equity

| | | |
|--|------------------|------------------|
| Ordinary shares | \$ 258,010 | \$ 248,351 |
| Convertible subordinate preferred shares | 58,833 | 58,834 |
| Preference and preferred shares | 182,400 | 145,600 |
| Minority interest in subsidiary | 454 | 455 |
| Long-term debt | 691,171 | 626,835 |
| | <u>1,190,868</u> | <u>1,080,075</u> |

Current Liabilities

| | | |
|---|----------------|----------------|
| Cheques issued in excess of bank balances | 10,178 | — |
| Short-term obligations (Note 4) | 112,784 | 94,725 |
| Accounts payable | 30,591 | 42,155 |
| Income taxes payable | 6,235 | 3,942 |
| Dividends payable | 8,443 | 7,884 |
| Accrued interest | 14,437 | 14,069 |
| Other accrued liabilities | 18,744 | 15,517 |
| Unearned revenues | 10,000 | 8,460 |
| | <u>211,412</u> | <u>186,752</u> |

| | | |
|------------------------------------|----------------|----------------|
| Income Taxes Deferred | 237,622 | 204,261 |
|------------------------------------|----------------|----------------|

Commitments (Notes 3 and 5)

| | |
|---------------------------|---------------------------|
| <u>\$1,639,902</u> | <u>\$1,471,088</u> |
|---------------------------|---------------------------|

Consolidated Statement of Capitalization

As of December 31, 1977 and 1976

| | 1977 | | 1976 | |
|--|------------------------|-----|----------------|-----|
| | (Thousands of Dollars) | | | |
| Equity (Authorized Share Capital \$1,250,000,000 (Note (a) (i)) | | | | |
| Ordinary Shares (Note (b) (iii)) | | | | |
| Ordinary shares without par value; | | | | |
| 18,833,647 shares outstanding (1976 — 18,833,607 shares) | \$157,422 | | \$157,421 | |
| Earnings retained for use in the business (Note 7) | 100,588 | | 90,930 | |
| | <u>258,010</u> | 22% | <u>248,351</u> | 23% |
| \$2.32 Cumulative Redeemable Convertible Subordinate | | | | |
| Preferred Shares | | | | |
| Par Value of \$25 each (Notes (b) (iii) and (c)) | 58,833 | 5% | 58,834 | 6% |
| Cumulative Preference and Preferred Shares | | | | |
| Par Value of \$100 each | | | | |
| 6% Preference | 1,000 | | 1,000 | |
| 6% Preferred | 4,500 | | 4,500 | |
| 4¾% Preferred | 7,500 | | 7,500 | |
| 4¾% Preferred (Series 1956) | 7,500 | | 7,500 | |
| 4½% Preferred | 5,000 | | 5,000 | |
| 4¾% Preferred | 6,000 | | 6,000 | |
| 5¾% Preferred | 10,000 | | 10,000 | |
| 5.15% Preferred | 12,000 | | 12,000 | |
| Par Value of \$25 Each | | | | |
| 4.84% Preferred | 20,000 | | 20,000 | |
| 6.80% Preferred (Not redeemable before June, 1978) | 10,000 | | 10,000 | |
| 7.04% Preferred (Not redeemable before July, 1982) | 20,000 | | 20,000 | |
| 8¾% Preferred (Note (c)) | 11,900 | | 13,600 | |
| 10.16% Preferred (Note (c)) | 27,000 | | 28,500 | |
| 7% Preferred (Notes (b) (ii) and (c)) | 40,000 | | — | |
| | <u>182,400</u> | 15% | <u>145,600</u> | 13% |
| Minority Interest in Subsidiary | 454 | | 455 | |
| | <u>499,697</u> | 42% | <u>453,240</u> | 42% |

| | 1977 | 1976 |
|---|--|--|
| | (Thousands of Dollars) | |
| Long-term Debt (Note (c)) (Exclusive of current maturities) | | |
| British Columbia Telephone Company | | |
| First Mortgage Bonds | | |
| Series F 5% due April 1, 1982 | \$ 25,000 | \$ 25,000 |
| Series G 5¼% due November 1, 1983 | 20,000 | 20,000 |
| Series H 6% due September 15, 1984 | 15,000 | 15,000 |
| Series I 5¾% due August 1, 1985 | 15,000 | 15,000 |
| Series J 5¾% due July 15, 1986 | 20,000 | 20,000 |
| Series K 5½% due April 15, 1988 | 20,000 | 20,000 |
| Series L 6¾% due October 15, 1989 | 30,000 | 30,000 |
| Series M 6¾% due March 15, 1991 | 30,000 | 30,000 |
| Series N 9½% due April 1, 1990 | 3,263 | 3,263 |
| Series O 9½% due November 15, 1992 | 18,000 | 18,000 |
| Series P 9½% due November 15, 1992 | 544 | 544 |
| Series Q 8¼% due March 1, 1994 | 35,000 | 35,000 |
| Series R 7½% due November 15, 1978 | — | 10,000 |
| Series S 7½% due November 15, 1995 | 25,000 | 25,000 |
| Series T 8½% due October 15, 1993 | 40,000 | 40,000 |
| Series U 8½% due November 1, 1996 (\$20 million U.S. funds) (Note (a) (ii)) | 19,809 | 19,809 |
| Series V 9% due October 1, 1997 | 40,000 | 40,000 |
| Series W 8¾% due January 15, 1981 | 11,000 | 11,000 |
| Series X 9¼% due April 15, 1998 | 35,000 | 35,000 |
| Series Y 11% due January 15, 1996 | 45,000 | 45,000 |
| Series Z 8¾% due April 1, 1980 | 20,000 | 20,000 |
| Series AA 10¼% due April 1, 1995 | 30,000 | 30,000 |
| Series AB 10¼% due December 1, 1981 | 25,000 | 25,000 |
| Series AC 10½% due February 1, 1982-1996 (\$30 million U.S. funds) (Note (a) (ii)) | 29,673 | 29,673 |
| Series AD 10¼% due October 15, 2001 | 60,000 | 60,000 |
| Series AE 9.70% due June 15, 1999 (Note (b) (i)) | 50,000 | — |
| Okanagan Telephone Company | | |
| General Mortgage Sinking Fund Bonds due 1979 to 1986 at interest rates 5¾% to 6½% | 3,858 | 4,546 |
| 70,074 Limited | | |
| 11% First Mortgage Loan due in monthly installments to June 1, 1992 (\$23.8 million U.S. funds) (Notes (a) (ii) and (b) (i)) | 25,024 | — |
| | <u>691,171</u> <u>58%</u> | <u>626,835</u> <u>58%</u> |
| Total Capitalization | <u>\$1,190,868</u> <u>100%</u> | <u>\$1,080,075</u> <u>100%</u> |

Notes to Consolidated Statement of Capitalization

As of December 31, 1977 and 1976

(a) GENERAL

- (i) The Company is permitted, subject to directors' and shareholders' approval, to issue shares with or without par value up to the nominal amount of \$1,250,000,000. As at December 31, 1977 and 1976, the total share capital of the Company, as authorized by its bylaws, was \$750,000,000.
- (ii) Series U and Series AC First Mortgage Bonds of the Company and the First Mortgage Loan of 70,074 Limited, a subsidiary company, are payable in U.S. dollars and are reflected at the Canadian dollar equivalent, on the date of issue, of \$74,506,000. If stated at the rate of exchange prevailing on December 31, 1977, this liability would amount to \$80,678,000.

(b) CHANGES IN CAPITALIZATION

- (i) During 1977, additional long-term debt was obtained as follows:
- \$50,000,000 First Mortgage Bonds, 9.70% Series AE, due June 15, 1999.
 - \$24,000,000 (U.S.) 11% First Mortgage Loan, due in monthly installments to June 1, 1992.
- (ii) On February 15, 1977, \$40,000,000 7% Cumulative Redeemable Preferred Shares with a par value of \$25 each were issued.
- (iii) During 1977, 20 shares of \$2.32 Cumulative Redeemable Convertible Subordinate Preferred Shares were converted into 40 ordinary shares.

(c) SINKING FUND AND REDEMPTION REQUIREMENTS

The 8¾% preferred shares are subject to mandatory redemption at par value over a 10-year period, with \$1,700,000 due on or before October 1 in each year, so as to completely retire the issue by October 1, 1984.

The 10.16% preferred shares are subject to (a) mandatory redemption at par value over a 20-year period with \$1,500,000 due annually on September 1 until 1995, and (b) voluntary redemption at the option of the Company in any amount on and after September 1, 1980, at a premium of 5%, declining annually thereafter to par after September 1, 1985.

The 7% preferred shares are subject to mandatory redemption at par with \$2,500,000 due on February 15 in each of the years 1978-1985 and the balance of \$20,000,000 due on February 15, 1986.

The \$2.32 Cumulative Redeemable Convertible Subordinate Preferred Shares are subject to (a) a purchase obligation requiring the Company to purchase in the open

market, at a price not exceeding par value, specified quantities of such shares to the extent that they are available in each 12-month period commencing June 30, 1981, and (b) voluntary redemption at the option of the Company, not before June 30, 1981, unless 2,000,926 of such shares have been converted, and at any time after June 30, 1981, at a premium of 8%, declining annually thereafter to par value after June 30, 1986.

The Deed of Trust and Mortgage of British Columbia Telephone Company requires either an annual sinking fund payment of 1% of the principal amount of its bonds outstanding or the pledge of additional unmortgaged property. Company practice is to use the latter alternative and accordingly it does not make sinking fund payments.

The Deed of Trust and Mortgage of Okanagan Telephone Company, a subsidiary, requires an annual sinking fund payment of 2% of the original principal sum of each issue and this requirement is complied with.

The total debt maturities (including sinking fund requirements) during each of the next five years, are:

| | |
|------|--------------|
| 1978 | \$10,768,000 |
| 1979 | 582,000 |
| 1980 | 21,025,000 |
| 1981 | 36,253,000 |
| 1982 | 26,965,000 |

At December 31, 1977, the First Mortgage Bonds, except for Series P, R, W, Z and AB, are redeemable, other than for financial advantage, at premiums ranging from .5% to 9.9%. The Series AC Bonds mature serially in the amount of \$1,710,000 (U.S.) on February 1 in each of the years 1982-1995 and the remaining \$6,060,000 (U.S.) matures on February 1, 1996. The Okanagan Telephone Company's General Mortgage Sinking Fund Bonds are callable at premiums ranging from .5% to 2.75%.

The First Mortgage Loan of 70,074 Limited is payable in monthly installments of \$224,000 (U.S.), including interest at 11%, with the balance due on June 1, 1992.

The Company's telephone plant is subject to the liens under the Deed of Trust and Mortgage under which the First Mortgage Bonds are issued.

Consolidated Statement of Source of Funds Used for Construction

For the years ended December 31, 1977 and 1976

| | 1977 | 1976 |
|---|------------------------|------------------|
| | (Thousands of Dollars) | |
| Source of Funds | | |
| From Operations | | |
| Ordinary share earnings | \$ 29,019 | \$ 27,785 |
| Add back (deduct) items not requiring funds | | |
| Depreciation | 101,210 | 83,195 |
| Income taxes deferred | 32,756 | 31,796 |
| Allowance for funds used during construction | (8,259) | (7,658) |
| Other, net | 4,507 | 3,317 |
| | <u>159,233</u> | <u>138,435</u> |
| Less — Ordinary share dividends | (19,211) | (18,079) |
| | <u>140,022</u> | <u>120,356</u> |
| Decrease in working capital | 10,760 | 42,939 |
| Miscellaneous | 1,048 | 332 |
| | <u>151,830</u> | <u>163,627</u> |
| Financing proceeds, net of related costs and expenses | | |
| Preferred shares | 39,850 | 58,318 |
| Long-term debt | 74,083 | 88,310 |
| | <u>113,933</u> | <u>146,628</u> |
| Less — Redemptions or current maturities of long-term debt and preferred shares | (14,085) | (15,158) |
| | <u>99,848</u> | <u>131,470</u> |
| | <u>\$251,678</u> | <u>\$295,097</u> |
| Construction Expenditures | | |
| Gross plant additions | \$262,855 | \$301,385 |
| Increase in material and supplies | 1,238 | 4,131 |
| | <u>264,093</u> | <u>305,516</u> |
| Less — Salvage value of plant retired, net | (4,156) | (2,761) |
| — Allowance for funds used during construction | (8,259) | (7,658) |
| | <u>\$251,678</u> | <u>\$295,097</u> |

Notes to Consolidated Financial Statements

As of December 31, 1977 and 1976

1. Summary of Significant Accounting Policies

EARNINGS PER ORDINARY SHARE

Earnings per ordinary share have been computed based on the average number of shares outstanding each month during the year and eligible for quarterly dividends declared. Fully diluted earnings per ordinary share reflect the potential full conversion of the \$2.32 convertible subordinate preferred shares issued in June, 1976.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries North-west Telephone Company and Canadian Telephones and Supplies Ltd. (together with its wholly-owned subsidiaries 70,074 Limited and Viscount Industries Ltd.), and Okanagan Telephone Company (99.9% owned).

The excess of the cost of shares of subsidiaries over the Company's equity at the date of acquisition is being amortized over a thirty-year period commencing in 1975 and amounted to \$255,000 in 1977 (1976 — \$270,000).

TELEPHONE PLANT

Telephone plant is recorded at original cost and includes certain pension costs, payroll taxes and general overheads applicable to the construction activity. In addition, the Company capitalizes the cost of funds used to finance construction, based on the size and duration of projects. The amounts of allowance for funds used during construction in 1977 and 1976 were \$8,259,000 and \$7,658,000, respectively, and are included in "Other income" in the Consolidated Statement of Earnings. Such income is not realized in cash currently but will be realized over the service life of the plant.

DEPRECIATION

Depreciation rates are determined by a continuing program of engineering studies for each class of telephone plant, according to year of placing in service and estimated useful life. Depreciation provisions are calculated on a straight-line basis by applying such rates to the Company's telephone plant assets each month. The composite depreciation rate was 6.12% (5.79% in 1976).

INCOME TAX

The Company claims as deductions, for income tax purposes, certain amounts in excess of expenses recorded in the accounts in respect of capital cost allowances, overhead costs applicable to construction activity and allowances for funds used during construction. The income tax provision

relating to these timing differences is being deferred, except as related to the allowance for funds used during construction (see Telephone Plant above), for which no income tax provision has been made nor has such a provision been included in rate submissions to the Canadian Radio-television and Telecommunications Commission. Of the current year's tax provision, \$32,756,000 is deferred (1976 — \$31,796,000).

OTHER DEFERRED CHARGES

Other deferred charges represent the unamortized cost of an appraisal of telephone plant of the Company and its subsidiary, Okanagan Telephone Company, as performed by a qualified independent engineering firm. The cost of the appraisal is being amortized over five years, ending December 31, 1979. This amortization amounts to \$454,000 in each of the years 1977 and 1976.

2. Remuneration of Directors and Officers

During the year 11 directors of British Columbia Telephone Company received aggregate remuneration of \$78,000 as directors of the Company and its subsidiaries and 15 officers received aggregate remuneration of \$749,000. None of the officers of British Columbia Telephone Company received remuneration from subsidiary companies.

3. Pension Plans

The Company and its subsidiaries have pension plans covering substantially all employees, subject to conditions related to age and period of service. The annual accrued pension costs are placed in trustee funds, the value of which exceeded the benefits vested with the employees at the date of the last actuarial review.

The Company is governed by and complies with the Canada Pension Benefits Standards Act which contains provisions regarding the solvency of pension plans. Actuarial studies are prepared at least every three years and any experience deficiencies in the plan are funded and amortized over the succeeding five-year period.

The most recent actuarial studies were prepared as at December 31, 1975, for the Company's Management Pension Plan, and December 31, 1974, for the Company's Bargaining Unit Pension Plan, which also provides for disability and death benefits. Based upon these actuarial valuations, the estimated unfunded liability under the Management Pension Plan is \$15,755,000 at December 31, 1977. Amendments to the Bargaining Unit Pension Plan, which resulted from the 1975-1976 Collective Agreement,

have eliminated any unfunded past service liability under that plan.

The new pension plan for bargaining unit employees requires that the Company contribute a fixed percentage of gross employee earnings without liability for the benefits payable.

Total pension costs charged to expense were \$17,077,000 (\$16,556,000 in 1976) which include \$4,126,000 (\$4,151,000 in 1976) for amortization of past service and experience deficiencies.

4. Short-term Obligations, due within one year

Under this caption are listed all amounts falling due for redemption within one year, sinking fund requirements and short-term indebtedness pending permanent financing.

| | 1977 | 1976 |
|-----------------------------|------------------------|-----------------|
| | (Thousands of Dollars) | |
| Bank demand loans | | |
| at 8¼% interest | \$10,027 | \$40,610 |
| Promissory notes at 6.9% | | |
| to 7.5% interest | 66,992 | 53,793 |
| Okanagan Telephone Company | | |
| income debentures at | | |
| 4½% interest, due | | |
| May 30, 1978 | 25,000 | — |
| Okanagan Telephone Company | | |
| General Mortgage Sinking | | |
| Fund Bonds, | 637 | 322 |
| First Mortgage Bonds, | | |
| 7½% Series R, | | |
| due November 15, 1978 | 10,000 | — |
| Principal payments due on | | |
| First Mortgage Loan | | |
| of 70,074 Limited | 128 | — |
| | <u>\$112,784</u> | <u>\$94,725</u> |

Short-term obligations are included in total capitalization for regulatory purposes in computing capitalization ratios and rates of return on capital.

Any inter-company borrowings by Okanagan Telephone Company from its parent are subordinated to the income debentures shown above.

The Company and its subsidiaries estimate the construction program to cost \$279,000,000 in 1978, and that sum, plus short-term repayment obligations of \$112,784,000, represents the Company's financing requirements for the ensuing year. These requirements will be financed out of funds generated from operations (estimated at \$160,000,000 for 1978) and from additional issues of share capital and debt, with any balancing requirement to be met by short-term notes and

bank loans. Additional financing is subject to approval by the Canadian Radio-television and Telecommunications Commission with respect to share issues, and to interest earnings coverage ratios as required under the Deed of Trust and Mortgage for First Mortgage Bond issues. As of December 31, 1977, the Company had obtained no commitments for such financing.

5. Commitments

CONSTRUCTION PROGRAMS

The Company and its subsidiaries estimate the construction programs for additional telephone plant and facilities to cost \$279,000,000 in 1978 and substantial purchase commitments have been made in connection therewith.

LEASE OBLIGATIONS

Contractual obligations in respect of long-term leases of the Company and its subsidiaries amounted to \$17,416,000 for real property and equipment at December 31, 1977; related rentals for the year then ended were \$4,976,000 and the minimum amount applicable to the five years subsequent to December 31, 1977, is \$15,349,000.

6. Ordinary Shares Reserved

At December 31, 1977, 499,755 ordinary shares were reserved for exercise under the Company's Employee Share Purchase Plan; there are no options outstanding. An additional 4,706,658 ordinary shares remain reserved for the conversion of the \$2.32 Cumulative Redeemable Convertible Subordinate Preferred Shares.

7. Anti-Inflation Program Guidelines

The anti-inflation program of 1975 provides for the restraint of prices, profits, dividends and employee compensation. The prices and profits of the Company are regulated by the Canadian Radio-television and Telecommunications Commission and the enforcement of the program as to those aspects of restraint is the responsibility of that body. The Company has complied with the guidelines. The increase in the Company's ordinary share dividend as announced in 1977 has been permitted by the Anti-Inflation Board subject to the issuance of additional share capital in 1978.

8. 1976 Presentation

The 1976 amounts have been reclassified, where applicable, to conform with the 1977 presentation.

Auditors' Report

TO THE SHAREHOLDERS OF
BRITISH COLUMBIA TELEPHONE COMPANY

We have examined the consolidated balance sheet and related statement of capitalization of BRITISH COLUMBIA TELEPHONE COMPANY (incorporated under an Act of the Parliament of Canada) and subsidiaries as at December 31, 1977 and 1976, and the consolidated statements of earnings and earnings retained for use in the business and source of funds used for construction for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Company and subsidiaries as of December 31, 1977 and 1976, and the results of their operations and the source of their funds used for construction for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.,
Chartered Accountants

Vancouver, Canada,
February 7, 1978

Selected Information for Ordinary Shareholders

Principal Ownership

The Company's outstanding ordinary shares totalled 18,833,647 as at December 31, 1977. Anglo-Canadian Telephone Company, a subsidiary of General Telephone & Electronics Corporation of Stamford, Connecticut, owns 9,570,420 shares, or 50.82% of the total.

Conversion

The \$2.32 Cumulative Redeemable Convertible Subordinate Preferred Shares are convertible into ordinary shares of the Company at any time prior to the close of business on June 30, 1986, on the basis of two ordinary shares for each convertible preferred share. As at December 31, 1977, 701 such shares had been converted into 1,402 ordinary shares.

Dividends

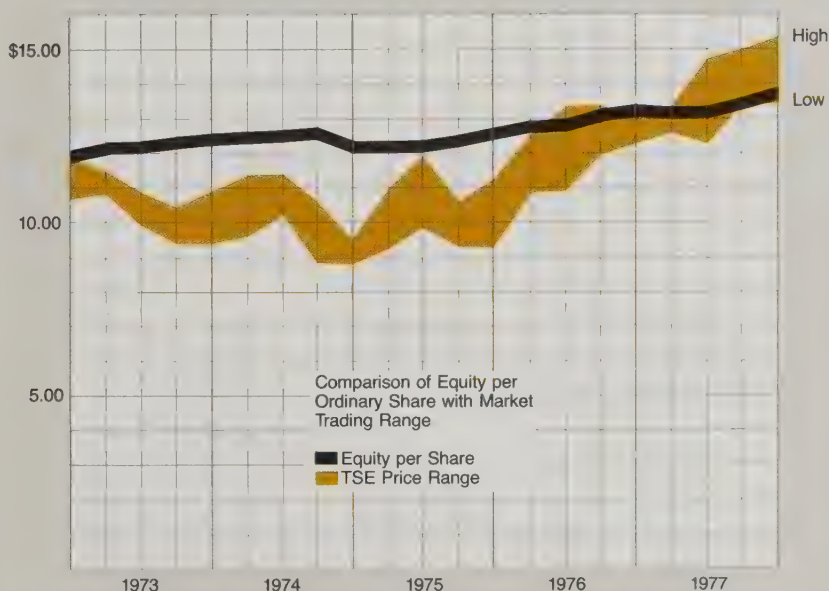
Dividends are payable quarterly on the first days of January, April, July and October. In 1977 these amounted to \$.25 per ordinary share for each of the first three quarters, increasing to \$.27 for the final quarter, for a total of \$1.02.

Market Trading

Shares are listed for trading on the Toronto, Montreal and Vancouver stock exchanges.

Federal Government
Valuation Day Value
(December 22, 1971) **\$12.75/Share**

| | 1977 | 1976 |
|--|---------------|---------------|
| Number of Ordinary Shareholders | 6,654 | 5,839 |
| Number of Shares outstanding at December 31 | 18,833,647 | 18,833,607 |
| Distribution of Shares: | | |
| Canada | 99.2% | 99.2% |
| United States | .5 | .4 |
| Other | .3 | .4 |
| | 100.0% | 100.0% |
| Volume of Shares Traded: | | |
| Toronto | 1,544,800 | 686,000 |
| Montreal | 434,262 | 328,430 |
| Vancouver | 95,045 | 229,385 |
| | 2,074,107 | 1,243,815 |
| The Toronto Stock Exchange Price Ranges (High-Low): | | |
| First Quarter | \$13.38-12.63 | \$12.50-10.88 |
| Second Quarter | 14.75-12.25 | 13.50-11.00 |
| Third Quarter | 15.00-13.50 | 13.50-12.13 |
| Fourth Quarter | 15.38-13.50 | 13.25-12.50 |



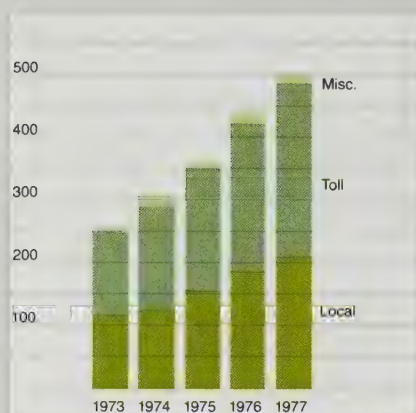
Consolidated Five-Year Record of Progress

Lines 14 and 28 have been restated for the years 1973-1976 to reflect the reclassification of materials and supplies into Investment in telephone plant.

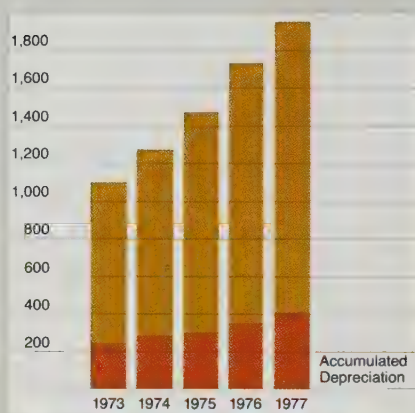
Line 16 includes short-term obligations, due within one year.

Lines 20, 21, 22 have been restated for the years 1973-1976 to reflect the five-for-one share split, effective April 1, 1976.

Operating Revenues (Millions of Dollars)



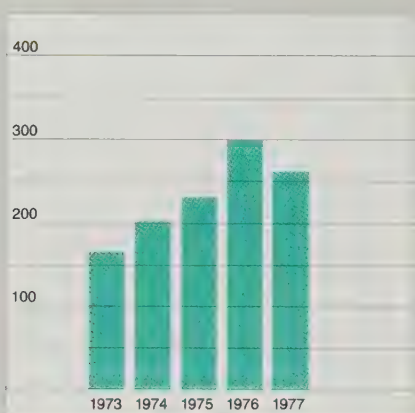
Plant Investment (Millions of Dollars)



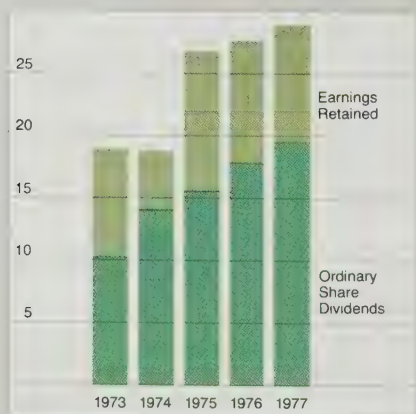
Operating Expenses (Millions of Dollars)



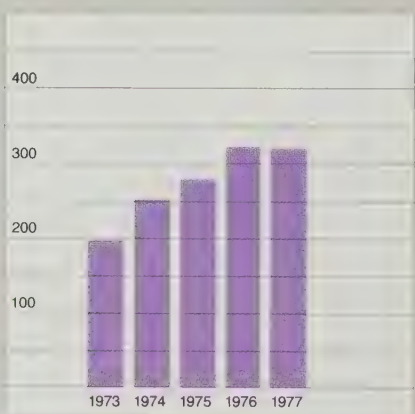
Gross Plant Additions (Millions of Dollars)



Ordinary Share Earnings (Millions of Dollars)



Toll Calls Completed (Daily average-thousands)



Particulars

Selected Income Items

(Thousands of dollars)

- 1 Total operating revenues
- 2 Local service
- 3 Toll service
- 4 Total operating expenses
- 5 Salaries and wages
- 6 Other operations expense
- 7 Depreciation
- 8 Provincial, municipal and other taxes
- 9 Income taxes
- 10 Interest and other deductions
- 11 Preference and preferred dividends
- 12 Ordinary share earnings
- 13 Ordinary share dividends

Selected Balance Sheet Items

(Thousands of dollars)

- 14 Investment in telephone plant
- 15 Accumulated depreciation
- 16 Total capitalization
- 17 Long-term debt
- 18 Preference and preferred shares
- 19 Ordinary share equity

Financial Ratios

- 20 Earnings per ordinary share
- 21 Dividends declared per ordinary share
- 22 Equity per ordinary share
- 23 Percent return on average ordinary share equity
- 24 Percent return on average invested capital
- 25 Percent long-term debt to total capitalization (permanent and long-term)

Other Statistics

- 26 Telephones in service
- 27 Percent DDD
- 28 Net plant investment per telephone
- 29 Gross plant additions
- (Thousands of dollars)
- 30 Local calls — daily average
- 31 Toll calls completed — daily average
- 32 Total salaries and wages
- (Thousands of dollars)
- 33 Total pensions and related payroll costs
- (Thousands of dollars)
- 34 Number of employees
- 35 Number of shareholders

| 1977 | 1976 | 1975 | 1974 | 1973 |
|-------------|-------------|-------------|-------------|-------------|
| \$ 501,554 | \$ 435,839 | \$ 360,687 | \$ 302,873 | \$ 258,927 |
| 216,098 | 187,694 | 154,956 | 129,197 | 117,469 |
| 270,323 | 235,813 | 194,905 | 163,256 | 132,659 |
| 400,555 | 349,041 | 286,070 | 243,130 | 207,197 |
| 152,267 | 147,870 | 120,456 | 106,931 | 86,348 |
| 80,163 | 60,009 | 50,277 | 43,220 | 37,861 |
| 101,210 | 83,195 | 65,914 | 56,094 | 49,380 |
| 24,813 | 22,064 | 17,694 | 13,669 | 10,513 |
| 42,102 | 35,903 | 31,729 | 23,216 | 23,095 |
| 64,163 | 55,776 | 47,365 | 39,341 | 29,855 |
| 17,697 | 12,931 | 8,023 | 6,204 | 5,798 |
| 29,019 | 27,785 | 26,859 | 18,756 | 18,768 |
| 19,211 | 18,079 | 15,819 | 14,150 | 10,357 |
| | | | | |
| \$1,961,959 | \$1,742,651 | \$1,484,489 | \$1,289,714 | \$1,113,658 |
| 414,595 | 350,700 | 310,303 | 275,088 | 246,356 |
| 1,303,652 | 1,174,800 | 1,021,007 | 889,058 | 762,125 |
| 691,171 | 626,835 | 549,120 | 429,259 | 417,455 |
| 241,233 | 204,434 | 145,600 | 118,800 | 103,500 |
| 258,010 | 248,351 | 239,161 | 228,921 | 201,846 |
| | | | | |
| \$ 1.54 | \$ 1.48 | \$ 1.43 | \$ 1.11 | \$ 1.16 |
| \$ 1.02 | \$.96 | \$.84 | \$.84 | \$.64 |
| \$ 13.70 | \$ 13.19 | \$ 12.70 | \$ 12.16 | \$ 12.47 |
| | | | | |
| 11.59 | 11.37 | 11.62 | 8.97 | 9.54 |
| | | | | |
| 8.92 | 8.93 | 8.62 | 7.87 | 7.73 |
| | | | | |
| 58 | 58 | 59 | 55 | 58 |
| | | | | |
| 1,600,512 | 1,543,310 | 1,473,183 | 1,383,202 | 1,281,655 |
| 99.6 | 99.6 | 99.6 | 99.6 | 94.4 |
| \$ 967 | \$ 902 | \$ 797 | \$ 734 | \$ 670 |
| \$ 262,855 | \$ 301,385 | \$ 230,241 | \$ 201,484 | \$ 165,273 |
| | | | | |
| 9,035,000 | 8,919,000 | 8,812,000 | 8,707,000 | 7,865,000 |
| 322,000 | 323,000 | 285,000 | 251,000 | 199,000 |
| \$ 221,447 | \$ 216,692 | \$ 180,511 | \$ 159,069 | \$ 125,607 |
| | | | | |
| \$ 31,824 | \$ 25,931 | \$ 17,875 | \$ 14,795 | \$ 11,433 |
| | | | | |
| 13,274 | 13,749 | 13,122 | 13,999 | 13,128 |
| 27,324 | 27,639 | 25,047 | 22,631 | 23,474 |

Directors

Gordon F. MacFarlane

Chairman and
Chief Executive Officer
British Columbia Telephone Company
Burnaby, B.C.

Harry M. Boyce

Company Director
Vancouver, B.C.

W. Thomas Brown

Chairman
Odlum Brown & T. B. Read Ltd.
Vancouver, B.C.

Justin V. Harbord

President
Harbord Insurance Ltd.
Victoria, B.C.

Gerald H. D. Hobbs

President
Cominco Ltd.
Vancouver, B.C.

Allan M. McGavin

Chairman of the Board
McGavin ToastMaster Limited
Vancouver, B.C.

Victor F. MacLean

Company Director
Vancouver, B.C.

John W. Pitts

Chairman and President
Okanagan Helicopters Ltd.
Vancouver, B.C.

J. Ernest Richardson

Chairman of the Board
MacMillan Bloedel Ltd.
Vancouver, B.C.

Horace B. Simpson

Vice-President
Okanagan Holdings Ltd.
Kelowna, B.C.

Hugh R. Stephen

Company Director
Victoria, B.C.

Officers

Gordon F. MacFarlane

Chairman and
Chief Executive Officer

Gilbert F. Auchinleck

Vice-President — Network Services

Roland J. Bouwman

Vice-President, General Counsel and Secretary

Jack C. Carlile

Vice-President — Operations

Donald W. Champion

Vice-President —
Supply, Transportation and Buildings *

Leo J. Dooling

Comptroller

James A. MacInnes

Vice-President — Marketing

D. Barry McNeil

Vice-President — Administration *

Dougal M. Meekison

Assistant Treasurer *

Betty J. Rumford

Assistant Secretary

Gordon M. Smith

Vice-President — Revenue Requirements

Robert H. Stevens

Vice-President — Customer Service

J. Neil Stewart

Treasurer

Frank S. Tucker

Vice-President —
Personnel and Industrial Relations

* Effective March 1, 1978

Head Office

3777 Kingsway
Burnaby, B.C.
V5H 3Z7

**Transfer Agent and
Registrar**

Montreal Trust Company

Duplicate Annual Reports

Every effort has been made to eliminate duplications in our shareholders' mailing list. However, if you have more than one holding you will receive a separate report for each registration unless your shares are registered under exactly the same name.



B.C. TEL 
TransCanada Telephone System